

**Lake County, Michigan**  
**FINANCIAL STATEMENTS**  
**December 31, 2003**

Lake County, Michigan

December 31, 2003

BOARD OF COMMISSIONERS

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Lake County, Michigan

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**ABRAHAM & GAFFNEY, P.C.**  
Certified Public Accountants

Member:  
American Institute of  
Certified  
Public Accountants  
and  
Michigan Association of  
Certified Public  
Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
of Lake County  
Baldwin, Michigan

We have audited the accompanying general purpose financial statements of Lake County, Michigan as of and for the year ended December 31, 2003, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

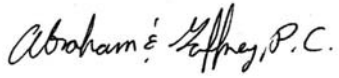
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements referred to above do not include financial activities of the Lake County Road Commission (Component Unit Fund), which should be included to conform with accounting principles generally accepted in the United States of America. If the omitted component unit had been included, the assets and revenues of the Component Unit Fund Types would have increased by \$3,593,169 and \$3,905,002, respectively. There would have been an increase in excess of revenues (under) expenditures in the Component Unit Fund Types for the period of \$(102,043), and the Component Unit Fund Types fund equities would have increased by \$3,416,007.

In our opinion, based on our audit, except for the effects on the financial statements of the omission described in the preceding paragraph, the combined financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Lake County, Michigan as of December 31, 2003, and the results of its operations and cash flows of its proprietary fund type for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated April 15, 2004, on our consideration of Lake County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund statements listed in the Table of Contents under Supplemental Financial Information are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of Lake County, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

A handwritten signature in cursive script that reads "Abraham & Gaffney, P.C.".

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

April 15, 2004

## **GENERAL PURPOSE FINANCIAL STATEMENTS**

Lake County, Michigan

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

December 31, 2003

	Primary				
	Governmental Fund Types				Proprietary
	General	Special Revenue	Debt Service (Building Authority)	Capital Projects	Enterprise
ASSETS					
Cash and cash equivalents	\$ (11,312)	\$ (3,282)	\$ 270,993	\$ 552,629	\$ 2,780,525
Investments	88,192	-	-	-	572,331
Investments - restricted	-	-	356,328	-	-
Inventory	-	-	-	-	-
Receivables					
Taxes					
Current	2,347,531	1,526,955	-	-	-
Delinquent	-	-	-	-	789,657
Accounts	80,696	-	-	-	1,036
Special assessment	-	-	-	-	-
Due from others	-	-	-	62,184	-
Due from other funds	18,951	2,034	-	-	-
Due from other governmental units					
Federal/State	104,073	624,716	-	-	-
Local	-	-	-	-	111,387
Fixed assets (net of accumulated depreciation)	-	-	-	-	-
Advances to other funds	-	-	-	-	62,449
Amount available in debt service funds	-	-	-	-	-
Amount to be provided for retirement of general long-term debt	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 2,628,131</b>	<b>\$ 2,150,423</b>	<b>\$ 627,321</b>	<b>\$ 614,813</b>	<b>\$ 4,317,385</b>

See accompanying notes to general purpose financial statements.



Government						
Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)	Component Units	Reporting Entity Totals (Memorandum Only)
Internal Service	Trust and Agency	General Fixed Assets	General Long-term Debt			
\$ 90,691	\$ 759,979	\$ -	\$ -	\$ 4,440,223	\$ 60,907	\$ 4,501,130
-	-	-	-	660,523	-	660,523
-	-	-	-	356,328	-	356,328
17,271	-	-	-	17,271	-	17,271
-	-	-	-	3,874,486	252,974	4,127,460
-	-	-	-	789,657	-	789,657
-	-	-	-	81,732	-	81,732
-	-	-	-	-0-	2,803	2,803
-	-	-	-	62,184	-	62,184
1,031	-	-	-	22,016	-	22,016
-	71,752	-	-	800,541	-	800,541
-	-	-	-	111,387	-	111,387
-	-	11,653,688	-	11,653,688	-	11,653,688
-	-	-	-	62,449	-	62,449
-	-	-	627,321	627,321	-	627,321
-	-	-	6,631,891	6,631,891	-	6,631,891
<u>\$ 108,993</u>	<u>\$ 831,731</u>	<u>\$ 11,653,688</u>	<u>\$ 7,259,212</u>	<u>\$ 30,191,697</u>	<u>\$ 316,684</u>	<u>\$ 30,508,381</u>

Lake County, Michigan

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS - CONTINUED

December 31, 2003

	Primary				
	Governmental Fund Types				Proprietary
	General	Special Revenue	Debt Service (Building Authority)	Capital Projects	Enterprise
LIABILITIES					
Accounts payable	\$ 49,026	\$ 95,894	\$ -	\$ -	\$ 18,639
Undistributed collections payable	-	-	-	-	-
Deposits payable	-	-	-	-	-
Accrued liabilities	62,346	71,661	-	2,500	7,089
Due to others	-	-	-	-	11,170
Due to other funds	1,065	2,179	-	-	2,011
Due to individuals and agencies	3,563	-	-	-	-
Due to other governmental units					
Federal/State	1,074	115,839	-	-	-
Local	-	45	-	-	-
Bonds, notes, and loans payable	-	-	-	-	-
Deferred revenue	2,370,382	1,526,955	-	62,184	-
Advances from other funds	-	-	-	62,449	-
TOTAL LIABILITIES	2,487,456	1,812,573	-0-	127,133	38,909
FUND EQUITY					
Investment in general fixed assets	-	-	-	-	-
Retained earnings					
Reserved for potential losses	-	-	-	-	-
Unreserved - undesignated	-	-	-	-	-
Fund balances					
Reserved for					
County projects	1,087	-	-	-	-
Debt service	-	-	627,321	-	-
Unreserved					
Designated for capital expenditures	-	-	-	487,680	-
Undesignated	139,588	337,850	-	-	4,278,476
TOTAL FUND EQUITY	140,675	337,850	627,321	487,680	4,278,476
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 2,628,131</u>	<u>\$ 2,150,423</u>	<u>\$ 627,321</u>	<u>\$ 614,813</u>	<u>\$ 4,317,385</u>

See accompanying notes to general purpose financial statements.

Government						
Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)	Component Units	Reporting Entity Totals (Memorandum Only)
Internal Service	Trust and Agency	General Fixed Assets	General Long-term Debt			
\$ 23,426	\$ -	\$ -	\$ -	\$ 186,985	\$ 6,552	\$ 193,537
-	352,062	-	-	352,062	-	352,062
-	36,893	-	-	36,893	-	36,893
-	-	-	145,212	288,808	-	288,808
-	205,697	-	-	216,867	-	216,867
6	16,755	-	-	22,016	-	22,016
-	-	-	-	3,563	-	3,563
-	220,224	-	-	337,137	-	337,137
-	100	-	-	145	-	145
-	-	-	7,114,000	7,114,000	-	7,114,000
-	-	-	-	3,959,521	252,974	4,212,495
-	-	-	-	62,449	-	62,449
23,432	831,731	-0-	7,259,212	12,580,446	259,526	12,839,972
-	-	11,653,688	-	11,653,688	-	11,653,688
72,977	-	-	-	72,977	-	72,977
12,584	-	-	-	12,584	-	12,584
-	-	-	-	1,087	-	1,087
-	-	-	-	627,321	-	627,321
-	-	-	-	487,680	-	487,680
-	-	-	-	4,755,914	57,158	4,813,072
85,561	-0-	11,653,688	-0-	17,611,251	57,158	17,668,409
<u>\$ 108,993</u>	<u>\$ 831,731</u>	<u>\$ 11,653,688</u>	<u>\$ 7,259,212</u>	<u>\$ 30,191,697</u>	<u>\$ 316,684</u>	<u>\$ 30,508,381</u>

Lake County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - ALL GOVERNMENTAL FUND TYPES

For the Year Ended December 31, 2003

	Primary		
	Governmental Fund		
	General	Special Revenue	Debt Service (Building Authority)
REVENUES			
Taxes	\$ 2,422,000	\$ 1,478,269	\$ -
Licenses and permits	7,331	-	-
Intergovernmental - Federal/State	758,066	2,398,232	-
Intergovernmental - Local	4,000	-	-
Charges for services	764,987	848,873	-
Fines and forfeits	12,398	2,000	-
Interest and rents	23,760	230,263	9,699
Other	98,739	122,685	-
TOTAL REVENUES	4,091,281	5,080,322	9,699
EXPENDITURES			
General government	2,302,914	216,639	-
Public safety	1,214,025	3,250,640	-
Community economic development	7,333	-	-
Health and welfare	222,777	887,098	-
Other	46,848		2,722
Capital outlay	76,360	199,114	-
Debt service	-	-	597,274
TOTAL EXPENDITURES	3,870,257	4,553,491	599,996
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	221,024	526,831	(590,297)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	33,441	621,244	600,274
Operating transfers out	(172,535)	(849,987)	-
TOTAL OTHER FINANCING SOURCES (USES)	(139,094)	(228,743)	600,274
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	81,930	298,088	9,977
Fund balances, beginning of year	7,605	60,799	617,344
Prior period adjustments	51,140	(21,037)	-
Fund balances, end of year	\$ 140,675	\$ 337,850	\$ 627,321

See accompanying notes to general purpose financial statements.

Government			
Types			Reporting Entity Totals (Memorandum Only)
Capital Projects	Totals (Memorandum Only)	Component Units	
\$ -	\$ 3,900,269	\$ 237,079	\$ 4,137,348
-	7,331	-	7,331
-	3,156,298	-	3,156,298
-	4,000	-	4,000
-	1,613,860	-	1,613,860
-	14,398	-	14,398
28,827	292,549	20	292,569
-	221,424	3,497	224,921
28,827	9,210,129	240,596	9,450,725
-	2,519,553	-	2,519,553
-	4,464,665	-	4,464,665
-	7,333	-	7,333
-	1,109,875	224,769	1,334,644
4,103	53,673	4,540	58,213
-	275,474	-	275,474
-	597,274	-	597,274
4,103	9,027,847	229,309	9,257,156
24,724	182,282	11,287	193,569
50,000	1,304,959	-	1,304,959
-	(1,022,522)	-	(1,022,522)
50,000	282,437	-0-	282,437
74,724	464,719	11,287	476,006
402,458	1,088,206	45,871	1,134,077
10,498	40,601	-	40,601
\$ 487,680	\$ 1,593,526	\$ 57,158	\$ 1,650,684

Lake County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL AND SPECIAL  
REVENUE FUND TYPES

For the Year Ended December 31, 2003

	General Fund		
	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Taxes	\$ 2,302,971	\$ 2,422,000	\$ 119,029
Licenses and permits	5,650	7,331	1,681
Intergovernmental - Federal/State	715,774	758,066	42,292
Intergovernmental - Local	4,250	4,000	(250)
Charges for services	817,461	764,987	(52,474)
Fines and forfeits	6,000	12,398	6,398
Interest and rents	5,000	23,760	18,760
Other	119,550	98,739	(20,811)
TOTAL REVENUES	3,976,656	4,091,281	114,625
EXPENDITURES			
General government	2,408,974	2,302,914	106,060
Public safety	1,313,388	1,214,025	99,363
Community and economic development	10,630	7,333	3,297
Health and welfare	231,379	222,777	8,602
Other	49,152	46,848	2,304
Capital outlay	76,361	76,360	1
TOTAL EXPENDITURES	4,089,884	3,870,257	219,627
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(113,228)	221,024	334,252
OTHER FINANCING SOURCES (USES)			
Operating transfers in	301,448	33,441	(268,007)
Operating transfers out	(188,220)	(172,535)	15,685
TOTAL OTHER FINANCING SOURCES (USES)	113,228	(139,094)	(252,322)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-0-	81,930	81,930
Fund balances, beginning of year	7,605	7,605	-0-
Prior period adjustments	-	51,140	51,140
Fund balances, end of year	\$ 7,605	\$ 140,675	\$ 133,070

See accompanying notes to general purpose financial statements.

Special Revenue Funds		
Amended Budget	Actual	Variance Favorable (Unfavorable)
\$ 1,457,470	\$ 1,478,269	\$ 20,799
-	-	-0-
2,300,490	2,398,232	97,742
-	-	-0-
769,899	848,873	78,974
2,000	2,000	-0-
229,500	230,263	763
2,050	122,685	120,635
4,761,409	5,080,322	318,913
197,099	216,639	(19,540)
3,468,137	3,250,640	217,497
-	-	-0-
918,086	887,098	30,988
-	-	-0-
156,378	199,114	(42,736)
4,739,700	4,553,491	186,209
21,709	526,831	505,122
384,336	621,244	236,908
(679,275)	(849,987)	(170,712)
(294,939)	(228,743)	66,196
(273,230)	298,088	571,318
60,799	60,799	-0-
-	(21,037)	(21,037)
\$ (212,431)	\$ 337,850	\$ 550,281

Lake County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
RETAINED EARNINGS - PROPRIETARY FUNDS

For the Year Ended December 31, 2003

	Enterprise	Internal Service	Totals (Memorandum Only)
OPERATING REVENUES			
Charges for services	\$ 464,064	\$ 1,466,994	\$ 1,931,058
Interest and penalties on taxes	293,854	-	293,854
Miscellaneous	11,094	-	11,094
TOTAL OPERATING REVENUES	769,012	1,466,994	2,224,912
OPERATING EXPENSES			
Personal services and fringes	-	1,443,835	1,443,835
Other	128,142	18,850	146,992
TOTAL OPERATING EXPENSES	128,142	1,462,685	1,590,827
OPERATING INCOME	640,870	4,309	634,085
NONOPERATING REVENUES			
Interest revenue	43,665	-	43,665
INCOME BEFORE TRANSFERS	684,535	4,309	677,750
TRANSFERS IN (OUT)			
Transfers in	1,411,474	-	1,411,474
Transfers out	(1,693,911)	-	(1,693,911)
TOTAL TRANSFERS IN (OUT)	(282,437)	-0-	(282,437)
NET INCOME	402,098	4,309	395,313
Retained earnings, beginning of year	3,876,378	81,252	3,957,630
Retained earnings, end of year	\$ 4,278,476	\$ 85,561	\$ 4,352,943

See accompanying notes to general purpose financial statements.



Lake County, Michigan

COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUND

For the Year Ended December 31, 2003

	Enterprise	Internal Service	Totals (Memorandum Only)
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income	\$ 640,870	\$ 4,309	\$ 645,179
Adjustments to reconcile operating income to net cash provided by operating activities			
Decrease in receivables	131,500	-	131,500
(Increase) decrease from others	3,225	(690)	2,535
Decrease in due from other funds	200	-	-
Decrease in inventory	-	10,180	10,180
Decrease in other governmental units	3,095	-	3,095
Increase in accounts payable	11,472	117	11,589
Increase in accrued liabilities	8,339	-	-
(Decrease) in due to other funds	(15,231)	-	(15,231)
(Decrease) in due to others	(2,543)	-	(2,543)
NET CASH PROVIDED BY OPERATING ACTIVITIES	780,927	13,916	786,304
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	1,411,474	-	1,411,474
Transfers out	(1,693,911)	-	(1,693,911)
NET CASH USED BY NONCAPITAL AND RELATED FINANCING ACTIVITIES	(282,437)	-0-	(282,437)
CASH FLOWS FROM INVESTING ACTIVITIES			
Maturity of investments	802,343	-	802,343
Purchase of investments	(572,331)	-	(572,331)
Repayment on advance	52,974	-	52,974
Interest revenue	43,665	-	43,665
NET CASH PROVIDED BY INVESTING ACTIVITIES	326,651	-0-	326,651
NET INCREASE IN CASH AND CASH EQUIVALENTS DURING YEAR	825,141	13,916	830,518
Cash and cash equivalents, beginning of year	1,955,384	76,775	2,032,159
Cash and cash equivalents, end of year	\$ 2,780,525	\$ 90,691	\$ 2,862,677

See accompanying notes to general purpose financial statements.

Lake County, Michigan

COMBINING BALANCE SHEET - COMPONENT UNIT FUNDS

December 31, 2003

	<u>Drainage Districts</u>	<u>Council on Aging</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 90	\$ 60,817	\$ 60,907
Special assessment receivable	2,803	-	2,803
Taxes receivable	-	252,974	252,974
	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL ASSETS	<u>\$ 2,893</u>	<u>\$ 313,791</u>	<u>\$ 316,684</u>
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts payable	\$ -	\$ 6,552	\$ 6,552
Deferred revenue	-	252,974	252,974
	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL LIABILITIES	-0-	259,526	259,526
FUND EQUITY			
Fund balances			
Unreserved - undesignated	2,893	54,265	57,158
	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL FUND EQUITY	<u>2,893</u>	<u>54,265</u>	<u>57,158</u>
	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 2,893</u>	<u>\$ 313,791</u>	<u>\$ 316,684</u>

See accompanying notes to general purpose financial statements.

Lake County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - COMPONENT UNIT FUNDS

For the Year Ended December 31, 2003

	Drainage Districts	Council on Aging	Total
REVENUES			
Taxes	\$ -	\$ 237,079	\$ 237,079
Special assessments	3,497	-	3,497
Interest	20	-	20
TOTAL REVENUES	3,517	237,079	240,596
EXPENDITURES			
Health and welfare	-	224,769	224,769
Other	4,540	-	4,540
TOTAL EXPENDITURES	4,540	224,769	229,309
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,023)	12,310	11,287
Fund balances, beginning of year	3,916	41,955	45,871
Fund balances, end of year	<u>\$ 2,893</u>	<u>\$ 54,265</u>	<u>\$ 57,158</u>

See accompanying notes to general purpose financial statements.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

December 31, 2003

**NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The County of Lake, Michigan was organized in 1872 and covers an area of approximately 572 square miles with the County seat located in the Village of Baldwin, Michigan. The County operates under elected Board of Commissioners seven (7) members and provides services to its approximately 8,500 residents in many areas including law enforcement, administration of justice, community enrichment and development, public works, health and welfare, and recreation and culture. Education is provided to citizens through three (3) local School Districts, four (4) Intermediate School Districts, and a Community College located in the County. The School Districts and College are separate governmental entities whose financial statements are not included herein in accordance with the National Council on Governmental Accounting (NCGA) Statement 3.

The financial statements of the County have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to County governments, except for the exclusion of a discretely presented component unit (Road Commission). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, The Financial Reporting Entity; and Statement on Michigan Governmental Accounting and Auditing No. 5, these financial statements present the financial activities of Lake County (primary government) and its component units. The component units described in Sections 2 and 3 below should be included in the County's reporting entity because of the significance of their operational or financial relationship with the County.

2. Blended Component Units

The Lake County Building Authority is governed by a five (5) member Board appointed by the County Board of Commissioners. Although it is legally separate from the County, the Lake County Building Authority is reported as if it were part of the (blended) primary government because its sole purpose is to finance and construct the County's public buildings.

3. Discretely Presented Component Units

The financial statements of the Lake County Road Commission for the year ended December 31, 2003, a component unit of the County of Lake, are not included in these financial statements. This component unit is audited individually and financial statements are issued under separate cover and can be obtained at their administrative offices.

The Lake County Council and Aging is governed by 19 appointees from various local aging assistance agencies. One of the members is from the Lake County Board of Commissioners. The Council and Aging is a nonprofit corporation dedicated to identifying the needs of seniors of the County and establishing long and short range goals to address those needs. The County Treasurer acts as a fiscal agent of all funds generated by a special millage and handles all financial aspects of the Council. The Lake County Council on Aging was not audited separately.

The Lake County Drainage Districts come under the jurisdiction of the Lake County Road Commissioner due to the fact Lake County does not have a Drain Commissioner. This includes planning, developing, and maintaining surface water drainage systems. A complete file of finance, construction, and maintenance is maintained for each of the drains. The Road Commissioner has authority to spend up to \$2,500 per mile on drain maintenance and may borrow up to \$300,000 from any source to provide for maintenance of a drain without Board of Commissioner approval and without going through the Municipal Finance Division, State of Michigan. The Road Commissioner has authority to levy special assessments on properties benefiting from maintenance. The Drainage Districts are financially accountable to the County because bond issuances greater than \$300,000 require County authorization and are backed by the full faith and credit of the County.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

December 31, 2003

**NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

3. Discretely Presented Component Units - continued

The Lake County Drainage Districts have not been audited separately. Combining component unit statements are included as part of these general purpose financial statements to summarize all the funds and the account group of the Drainage Districts.

4. Joint Ventures

The District 10 Health Department is a joint venture between 10 counties as detailed in the formation agreement between the counties, and was established to provide public health services to the 10 county region. A copy of the agreement can be obtained at the County's clerk's office. Lake County appoints two (2) of the 20 members. All ten (10) Counties provide annual appropriations and pass-through the statutory amount of cigarette tax funding to subsidize operations. Lake County's contribution for the year ended December 31, 2003, was \$82,468.

5. Jointly Governed Organizations

The West Michigan Community Mental Health System provides comprehensive mental health services to Lake, Mason, and Oceana Counties. Operating revenues are derived from Federal, State, and local governments as well as from fees for services. The West Michigan Community Mental Health System is governed by a twelve (12) member Board appointed by the Board of Commissioners of the three (3) Counties it services. Lake County appropriated \$55,250 as its operating contribution to the West Michigan Community Mental Health System for the year ended December 31, 2003. A copy of their audit may be obtained at their administrative offices.

The West Michigan Area Agency on Aging provides comprehensive services to older individuals residing in ten (10) west Michigan counties. Operating revenues are derived from Federal, State, and local governments as well as fees for services. The West Michigan Area Agency on Aging is governed by a twenty (20) member Board appointed by the Board of Commissioners of the ten (10) Counties it services. A copy of the Area Agency on Aging audit may be obtained at their administrative offices.

Lake County, in conjunction with twenty-two (22) other Counties, has entered into an agreement that created the Northern Michigan Substance Abuse Commission. This organization's Board is composed of thirty-six (36) members, of which one (1) is appointed by Lake County. The County's financial responsibility is to pass through a portion of the Convention and Tourism revenues received to the Commission. For the year ended December 31, 2003, the County passed through \$28,210.

Five CAP, Inc. is a non-profit corporation formed under the laws of the State of Michigan. This organization's Board is composed of fifteen (15) members, of which one (1) is appointed by Lake County. The organization receives all of its funding from State and Federal grants and, as a result, the County has no financial responsibility other than potential liability related to appropriate use of the Federal funds passed through to Five CAP, Inc. The county passed through to Five CAP, Inc. as a subrecipient \$36,350 in Federal grant dollars.

6. Basis of Presentation

The accounts of the County are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The financial activity of each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. County resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds and account groups reported in the financial statements are categorized and described as follows:

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

December 31, 2003

**NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

GOVERNMENTAL FUNDS

- a. General Fund - The General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally or administratively restricted to expenditure for specified purposes.
- c. Debt Service Funds - The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.
- d. Capital Projects Funds - The Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital projects (other than those financed by Proprietary Funds).

PROPRIETARY FUNDS

- a. Enterprise Funds - Enterprise Funds are used to report operations that provide services, which are financed primarily by user charges or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control, or other purposes.
- b. Internal Service Funds - Internal Service Funds are used to account for the financing of services by one department or agency to other departments or agencies of the County, or to other governments on a cost-reimbursement basis.

FIDUCIARY FUNDS

- a. Agency Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, other governments, and funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

ACCOUNT GROUPS

- a. General Fixed Assets Account Group - The General Fixed Assets Account Group is a self-balancing group of accounts used to establish accounting control over the fixed assets of Lake County.
- b. General Long-Term Debt Account Group - The General Long-Term Debt Account Group is used to establish accounting control and accountability for the unmatured principal on the County's general long-term debt not recorded in the Proprietary Fund types. The General Long-Term Debt Account group is also used to report that portion of employee compensated absences of governmental funds not expected to be liquidated through the use of expendable available financial resources.

COMPONENT UNIT FUNDS

These component unit funds and account groups have been aggregated for presentation within the County General Purpose Financial Statements as one (1) column for each of the component units on the Combined Balance Sheet and Combined Statement of Revenues, Expenditures, and Changes in Fund Balances.

- a. Capital Projects Funds - The Component Unit Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major drainage district projects.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

December 31, 2003

**NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

7. Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the Balance Sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Balance Sheet. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

There is no measurement focus for Agency Funds since assets equal liabilities.

8. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

9. Cash and Cash Equivalents

The County pools cash resources of various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest bearing securities and disclosed as part of the County's investments. Cash equivalents consist of temporary investments in certificates of deposit and mutual funds with a maturity from date of purchase of 90 days or less.

10. Investments

Investments consist of certificates of deposit and U.S. Treasury bonds with original maturities of greater than 90 days. Investments are recorded at market value in accordance with GASB 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools.

11. Restricted Investments

The County restricted investments are for Building Authority debt service.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

December 31, 2003

**NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

12. Receivables

Receivables consist of amounts due from governmental units for various financial assistance programs and accounts receivable related to charges for services.

13. Inventories

Inventories of the Central Stores (Internal Service) Fund consist of miscellaneous office supplies on hand for resale, which are stated at the lower of first-in, first-out cost or market.

14. Fixed Assets and Long-Term Liabilities

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund is determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their Balance Sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources".

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in a General Fixed Assets Account Group rather than in governmental funds. The general fixed assets are recorded as expenditures at the time of purchase in the governmental fund types.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in the governmental funds.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on the Balance Sheets.

Fixed assets are recorded at cost or estimated cost or, if donated, at fair market value at the date of donation. Expenses that materially extend the useful life of existing assets are capitalized. Public domain (infrastructure) general fixed assets, which include roads, bridges, curbs and gutters, sidewalks, and drains, are not capitalized.

Under capitalized lease-purchase agreements, the County pays an annual rent to the Lake County Building Authority for the servicing of bonded debt incurred for the construction of various County buildings. The related debt is recorded in the General Long-Term Debt Account Group and related assets are recorded in the General Fixed Assets Account Group.

15. Prepaid Expenditures

Prepaid expenditures consist of certain expenditures representing costs applicable to future periods. These prepayments recorded in the governmental fund types do not reflect current expendable resources and, therefore, an equal portion of fund balance is reserved.

16. Advances to Other Funds

Long-term advances from certain funds to other funds or component units are made to finance new activities during their initial operations and to finance capital acquisitions. For the governmental fund types, fund balance is reserved for the amount of advances made to other funds to reflect the fund balance not currently available for expenditure.



NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

December 31, 2003

**NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

17. Interfund Transactions

During the course of normal operations, the County has numerous transactions between funds and component units including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers.

Internal Service Funds record charges for services to all County departments and funds as operating revenue. All County funds record these payments to the Internal Service Funds as operating expenditures/expenses.

18. Accrued Vacation and Sick

In accordance with County personnel policies and/or contracts negotiated with the various employee groups of the County, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the respective personnel policies and/or contracts.

Vested vacation and sick leave earned as of December 31, 2003, including related payroll taxes, is recorded in the General Long-Term Debt Account Group.

19. Budgets and Budgetary Accounting

The General and Special Revenue Fund budgets shown in the financial statements were prepared on a basis consistent with accounting principles generally accepted in the United States of America and are not significantly different from the modified accrual basis used to reflect actual results. The County employs the following procedures in establishing the primary government budgetary data reflected in the financial statements.

Public Act 493 of 2000 amended certain budgeting related sections of the Uniform Budgeting and Accounting Act and was given immediate effect. The amendments included the rescission of the requirement for reporting debt service fund budgets in the financial statements. As a result, the Debt Service Funds' budgets are no longer included in the financial statements.

- a. Prior to October 1, County departments in conjunction with the Clerk's Office, prepare and submit their proposed operating budgets to the Ways and Means Committee who reviews and makes recommendations for the fiscal year commencing the following January 1. The operating budgets include proposed expenditures and resources to finance them.
- b. A Public Hearing is conducted to obtain taxpayers' comments.
- c. Prior to December 31, the budgets are legally enacted through passage of a budget resolution.
- d. The budgets are legally adopted at the activity, functional, and account level for the General Fund and the fund level for the Special Revenue Fund. Budgetary transfers between funds and amendments to total fund budgets are not permitted without Board approval. For control purposes, all fund budgets are maintained at the activity and account level. The Clerk is authorized to transfer budget amounts between accounts without Board approval.
- e. Budgets for certain Capital Projects Funds are made on a project basis spanning more than one year.
- f. The County does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. All unexpended appropriations lapse at year-end.
- g. Budgeted amounts are reported as originally adopted or as amended by the Board of Commissioners during the year. Individual amendments were not material to the original appropriations that were adopted.

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

December 31, 2003

**NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**19. Budgets and Budgetary Accounting - continued

Budget to actual comparison statements are not required of discretely presented component units and have been excluded from the General Purpose Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual.

20. Comparative Data

Comparative data for the year has not been presented in the accompanying financial statements since the inclusion of comparative data would make the statements unduly complex and difficult to read.

21. Federal Programs

Federal Programs are accounted for in specific Special Revenue Funds or a part of the various fund types to which the programs pertain. The County has not integrated its Single Audit Reports and financial data as part of the financial statements. The Single Audit Reports and financial data will be issued under separate cover as supplementary information to the General Purpose Financial Statements.

22. Total Columns on General Purpose Statements

Total columns on the General Purpose Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States of America; neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**NOTE B: POOLING OF CASH AND INVESTMENTS AND CASH OVERDRAFT**

The County utilizes pooled cash accounts for approximately thirty-four funds. Cash overdrafts of individual funds as of December 31, 2003, are as follows:

<u>Fund</u>	<u>Pooled Cash Overdraft</u>	<u>Nonpooled Cash and Cash Equivalents</u>	<u>Financial Statements</u>
PRIMARY GOVERNMENT			
General Fund	\$( 12,888 )	\$ 1,576	\$( 11,312 )
Special Revenue Funds			
Pleasant Plains Officer	( 32,557 )	-	( 32,557 )
Yates Township Officer	( 7,791 )	-	( 7,791 )
Crime Victims	( 5,883 )	-	( 5,883 )
T.R.V.	( 429,719 )	-	( 429,719 )
Friend of the Court	( 62,598 )	-	( 62,598 )
Law Library	( 1,633 )	-	( 1,633 )
Secondary Road Patrol	( 9,177 )	-	( 9,177 )
Child Care Probate	( 220,846 )	13,000	( 207,846 )
Emergency 911	( 7,017 )	-	( 7,017 )
Internal Service Fund			
Central Stores	( 4,911 )	-	( 4,911 )
TOTAL REPORTING ENTITY	<u>\$( 795,020 )</u>	<u>\$ 14,576</u>	<u>\$( 780,444 )</u>

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

December 31, 2003

**NOTE C: CASH, CASH EQUIVALENTS, AND INVESTMENTS**

The County utilizes various pooled cash accounts and investments for approximately forty funds. The County's pooled cash accounts consist of a common checking account and mutual funds.

The County's pooled cash accounts and investments are utilized by the General Fund, Special Revenue Funds, Capital Project Funds, Debt Service Funds, Internal Service Funds, (except for the Delinquent Tax Revolving Funds), Trust and Agency Funds, and the component unit funds. Each fund's portion of these pooled accounts is included in the cash and cash equivalents caption on the General Purpose balance sheet.

The other funds of the County utilize separate savings and interest bearing checking accounts. In addition, certificates of deposit and mutual funds are held separately by several of the County's funds.

In accordance with Michigan Compiled Laws, the County is authorized to invest in the following investment vehicles:

- a. Bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.
- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. United States government or Federal agency obligation repurchase agreements.
- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

As of December 31, 2003, the carrying amounts and bank balance for each type of bank account are as follows:

<u>ACCOUNT TYPE</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
PRIMARY GOVERNMENT		
Checking	\$ 3,080,307	\$ 3,099,465
Savings	46,109	46,109
Money market	1,195,723	1,195,537
Certificates of deposit	<u>658,321</u>	<u>658,321</u>
Total primary government	4,980,460	4,999,432

Lake County, Michigan

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

December 31, 2003

**NOTE C: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED**

<u>ACCOUNT TYPE</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
COMPONENT UNITS		
Checking	\$ 60,807	\$ 64,988
TOTAL REPORTING ENTITY	\$ 5,041,267	\$ 5,064,420

Deposits of the County are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the County. As of December 31, 2003, the primary government and component unit accounts were insured by the FDIC for \$250,699 and the amount of \$4,813,721 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the County held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

As of December 31, 2003, the carrying amounts and market values for each investment are as follows:

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Market Value</u>
PRIMARY GOVERNMENT		
Insured or registered for which the securities are held by the County's agent in the County's name - U.S. Treasury Bonds	\$ 383,932	\$ 383,932
Uncategorized pooled investment funds	90,806	90,853
	\$ 474,738	\$ 474,785

The investments of U.S. Treasury Securities are not insured, but are backed by the full faith and credit of the Federal Government.

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the General Purpose balance sheet based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of December 31, 2003:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 4,440,223	\$ 60,907	\$ 4,501,130
Investments	660,523	-	660,523
Investments - restricted	356,328	-	356,328
	\$ 5,457,074	\$ 60,907	\$ 5,517,981

The primary government and component unit cash and cash equivalents caption on the General Purpose balance sheet includes \$1,876 and \$100 in imprest cash, respectively.

Lake County, Michigan

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

December 31, 2003

**NOTE D: INTERFUND RECEIVABLES AND PAYABLES**

Interfund receivable and payable balances described as Due From and Due to Other Funds on the Balance Sheet reflect amounts due from or due to a particular fund by another fund of the County. These amounts include any short-term obligations on open accounts and not current portions of long-term loans.

The following schedule details primary government interfund receivables and payables at December 31, 2003:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
General Fund		
T.R.V.	\$ 360	\$ -
Ambulance	619	-
Inmate Social Security	1,200	-
Road Patrol	-	34
Central Stores	-	341
Treasurer's Administration	761	-
2000 Delinquent Tax	1,250	-
Employee Benefit	6	690
Trust and Agency	<u>14,755</u>	<u>-</u>
	18,951	1,065
Special Revenue Funds		
Law Library		
Library Penal	2,000	-
Road Patrol		
General Fund	34	-
T.R.V.		
General Fund	-	360
Ambulance		
General Fund	-	619
Inmate Social Security		
General Fund	<u>-</u>	<u>1,200</u>
	2,034	2,179
Enterprise		
Treasurer's Administration		
General Fund	-	761
2000 Delinquent Tax		
General Fund	<u>-</u>	<u>1,250</u>
	-0-	2,011
Internal Service		
Central Stores		
General Fund	341	-
Employees Benefit		
General Fund	<u>690</u>	<u>6</u>
	1,031	6

Lake County, Michigan

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

December 31, 2003

**NOTE D: INTERFUND RECEIVABLES AND PAYABLES - CONTINUED**

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
Trust and Agency		
Trust and Agency		
General Fund	\$ -	\$ 14,755
Library Penal		
Law Library	-	2,000
	-0-	16,755
	<u>\$ 22,016</u>	<u>\$ 22,016</u>

**NOTE E: ADVANCES RECEIVABLE AND PAYABLE**

Interfund receivable and payable balances described as Advances To and Advances From Other Funds on the Balance Sheet reflect amounts advanced from or to a particular fund by another fund of the County. These amounts are long-term obligations due and payable over greater than a one year time period.

The following schedule details primary government advances to and from other funds at December 31, 2003:

<u>Fund</u>	<u>Advance To</u>	<u>Advance From</u>
Capital Project Fund		
Other County Property		
Treasurer's Unrestricted	\$ -	\$ 62,449
Enterprise		
Treasurer's Unrestricted	62,449	-
Other County Property		
	<u>\$ 62,449</u>	<u>\$ 62,449</u>

**NOTE F: FIXED ASSETS**

The following schedule summarizes the changes in components of the General Fixed Assets Account Group:

	<u>Balance Jan. 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Dec. 31, 2003</u>
PRIMARY GOVERNMENT				
Land	\$ 39,450	\$ -	\$ -	\$ 39,450
Land Improvements	77,255	-	-	77,255
Buildings and Improvements	9,829,723	958	-	9,830,681
Equipment	1,346,877	120,760	97,612	1,370,025
Vehicles	<u>279,405</u>	<u>136,266</u>	<u>179,394</u>	<u>236,277</u>
	<u>\$ 11,572,710</u>	<u>\$ 257,984</u>	<u>\$ 277,006</u>	<u>\$ 11,653,688</u>

Lake County, Michigan

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

December 31, 2003

**NOTE G: LONG-TERM DEBT**

The following is a summary of changes in long-term debt (including current portions) of the County for the year ended December 31, 2003:

	Balance Jan. 1, 2003	Additions	Deletions	Balance Dec. 31, 2003
<b>PRIMARY GOVERNMENT</b>				
General Long-Term Debt				
Direct County Obligations	\$ 7,337,000	\$ -	\$ 223,000	\$ 7,114,000
Accrued vacation and sick	<u>129,256</u>	<u>15,956</u>	<u>-</u>	<u>145,212</u>
<b>TOTAL REPORTING ENTITY</b>	<b><u>\$ 7,466,256</u></b>	<b><u>\$ 15,956</u></b>	<b><u>\$ 223,000</u></b>	<b><u>\$ 7,259,212</u></b>

**PRIMARY GOVERNMENT**

Significant details regarding outstanding long-term debt (including current portions) are presented below:

Lake County is party to three (3) long-term lease agreements for rental of State of Michigan Family Independence Agency building and the Courthouse and Jail from the Lake County Building Authority. These lease agreements stipulate that annual rentals will be paid by the County and the State government to the Building Authority in amounts sufficient to meet the annual principal and interest on bonds, which shall be pledged exclusively for that purpose. When all debt has been retired on these buildings, the rentals will cease, title to the buildings will be transferred to the County, and any cash balances remaining with the Building Authority will be returned to the County.

Bonds payable at December 31, 2003 are as follows:

\$2,000,000 Lake County Building Authority Bonds Series 1991, dated January 1, 1991 due in annual installments ranging from \$100,000 to \$190,000 through October 1, 2011, with interest of 7.0 percent, payable semi-annually.	\$ 1,175,000
\$6,500,000 Lake County Building Authority Bonds; Series 1998, Bond No. 1, 2, and 3, dated June 30, 1998; due in annual installments ranging from \$117,000 to \$396,000 through June 1, 2028; with interest of 4.75 percent, payable semi-annually.	<u>5,939,000</u>
	<b><u>\$ 7,114,000</u></b>

**Accumulated Vacation and Sick**

In accordance with County personnel policies and/or contracts negotiated with various employee groups of the County, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts.

The dollar amount of these vested rights, including related payroll taxes, amounted to \$145,212 at December 31, 2003. This amount has been accrued entirely in the General Long-Term Debt Account Group.

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

December 31, 2003

**NOTE G: LONG-TERM DEBT - CONTINUED**Delinquent Tax Revolving Funds - General Obligation Limited Tax Notes

The County issues General Obligation Limited Tax Notes in order to finance the purchase of delinquent real property taxes from the Cities, Villages, and Townships in the county, and from various County funds. These notes have varying maturities under three years and are paid from delinquent tax collections. Delinquent property taxes receivable are pledged as collateral for the repayment of the outstanding delinquent tax notes. The 2002 General Obligation Limited Tax Note was paid in full as of December 31, 2003.

The annual requirements to pay the general long-term debt principal and interest outstanding for the following bonds and loans of the primary government at December 31, 2003 is as follows:

Year Ending December 31,	Direct County Obligations		
	Series 1991 Bonds	Series 1998 Bonds	Total
2004	\$ 192,250	\$ 411,103	\$ 603,353
2005	194,550	410,975	605,525
2006	196,150	410,563	606,713
2007	197,050	410,866	607,916
2008	197,250	410,836	608,086
2009-2013	600,600	2,053,526	2,654,126
2014-2018	-	2,054,490	2,054,490
2019-2023	-	2,053,602	2,053,602
2024-2028	-	2,057,905	2,057,905
	1,577,850	10,273,864	11,851,714
	( 402,850 )	( 4,334,864 )	( 4,737,714 )
	<u>\$ 1,175,000</u>	<u>\$ 5,939,000</u>	<u>\$ 7,114,000</u>

**NOTE H: EMPLOYEE RETIREMENT SYSTEM**

The County participates in the Michigan Municipal Employees Retirement System (MERS), an agent multiple employer public retirement system. MERS is authorized and operated under State law, Act 135 of the Public Acts of 1945, as amended. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917. All full-time County employees are covered by the retirement system with exception of the Road Commission employees. The Road Commission employees are covered under a separate retirement plan.

The benefits and conditions outlined below are for general information only. Public Act 427 of 1984, as amended, covers the benefits and conditions of the Municipal Retirement systems.

## Normal Retirement:

Age 50 with 25 or more years of credited service

Age 55 with 15 or more years of credited service

Age 60 with 10 or more years of credited service (reduced to 8 or 6 years depending on benefits)

Mandatory Retirement: None



## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

December 31, 2003

**NOTE H: EMPLOYEE RETIREMENT SYSTEM - CONTINUED****Deferred Retirement:**

The termination of membership before age 60, other than by retirement or death, after 10 years of credited service is considered a deferred retirement. Retirement allowance begins upon application and satisfaction of normal retirement requirements. The retirement allowance is computed in the same manner as a service retirement with the applicable benefit program being determined as of the date of termination of membership.

Rights to an allowance are forfeited if the member's accumulated contributions are withdrawn.

Benefit allowances are computed based on the applicable criteria as detailed within the plan. Death and disability benefits are also provided.

**Funding Policy**

Covered employees can contribute between 0% and 10% of their annual salary to the retirement system. Employees hired prior to 1985 may be allowed to contribute 3% of the first \$4,200 of annual compensation and 5% of portions over \$4,200. The County is required to contribute the remaining amounts necessary to fund the system.

**Annual Pension Cost**

For the year ended December 31, 2003 the County's annual pension cost of \$285,258 for the plan was equal to the County's required contribution. The annual required contribution was determined as part of an actuarial valuation of the plan as of December 31, 2002, using the entry actual age cost method. Significant actuarial assumptions used in determining the pension benefit obligation include (1) a rate of return on the investment of present and future assets of 8.0%, (2) projected salary increases of 5% per year compounded annually, attributable to inflation, (3) additional projected salary increases ranging from 0.0% to 4.2% per year, depending on age, attributable to seniority/merit. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his or her projected benefit.

**Three (3) year trend information**

	Year Ended December 31,		
	<u>2000</u>	<u>2001</u>	<u>2002</u>
Actuarial value of assets	\$ 3,206,877	\$ 3,546,115	\$ 3,787,174
Actuarial accrued liability (AAL) (entry age)	3,585,863	4,158,342	4,613,310
Unfunded AAL	378,986	612,227	826,136
Funded ratio	89%	85%	82%
Covered payroll	2,724,851	2,891,241	3,053,787
UAAL as a percentage of covered payroll	16%	21%	27%
Annual pension cost	183,740	205,610	285,258
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

This trend information was obtained from the most recently issued actuarial reports.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

December 31, 2003

**NOTE I: CONTINGENT LIABILITIES**

The County participates in a number of Federal and State assisted grant programs that are subject to compliance audits. The Single Audit of the Federal programs and the periodic program compliance audits of many of the State programs have not yet been conducted, completed, or resolved. Accordingly, the County's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

There are various other legal actions pending against the County and its component units. Due to the inconclusive nature of many of the actions, it is not possible for Corporation Counsel to determine the probable outcome or a reasonable estimate of the potential liability, if any. These actions for which a reasonable estimate can be determined of the potential liability, if any, are considered by County and/or component unit management and legal counsel to be immaterial.

**NOTE J: RISK MANAGEMENT**

The County is a voluntary member of the Michigan Municipal Risk Management Authority which is organized under Public Act 138 of 1982, as amended as a governmental group self-insurance pool. Public Act 138 authorizes local units of government to exercise jointly any power, privilege, or authority which each might exercise separately.

The administration of the Authority is directed by a nine (9) member Board of Directors composed of municipal representatives from the membership elected by the membership. The Board establishes the general policy of the Authority, creates and publishes rules to be followed by the Manager and Board, and is empowered with the authority to impose sanctions or terminate membership. The County, by resolution of the County Board of Commissioners, has designated a representative to the Authority to be responsible for the execution of all loss control measures, to ensure the payment of all annual and supplementary or other payment requirements, to ensure the filing of all required reports, and to act as a liaison between the County and the Authority.

The Authority provides risk management, underwriting, reinsurance, and claim services with member contributions allocated to meet these obligations. The Authority administers a risk management fund providing Lake County with loss protection for general and auto liability, motor vehicle physical damage, and property damage. Under most circumstances the County's maximum loss per occurrence is limited as follows:

<u>Type of Risk</u>	<u>Maximum Retention Per Occurrence</u>
General and auto liability	\$ 75,000
Motor vehicle physical damage	15,000 / vehicle
Property coverage	10,000

The Authority has established a Retained Risk Program to pay losses incurred by members that exceed individual retention levels and are not covered under existing reinsurance agreements. Losses incurred within the established limits are general obligations of the Authority. In the event that losses are incurred in excess of the resources available, the Authority as a whole (i.e., all constituent municipalities) is liable for the excess. The Authority may authorize dividends to individual members in the event that the members and individual fund balance is determined to be sufficient to do so.

Liability insurance claims are expenses as incurred. The liability is determined by the Michigan Municipal Risk Management Authority management based on an actuarial study performed using historical data and available insurance industry statistics. The liability includes a reserve for reported claims, and reported legal expenses as well as incurred but not reported claims.

Lake County, Michigan

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

December 31, 2003

**NOTE J: RISK MANAGEMENT - CONTINUED**

The Authority has reserved fund balance to pay losses incurred by members that exceed individual retention levels and are not covered under existing reinsurance agreements. Losses incurred within the established limits are general obligations of the Authority. In the event that Lake County incurs a loss in excess of the resources available, the Authority as a whole (i.e., all constituent municipalities) is liable for the excess.

In addition, the Authority has accumulated resources to create and fund an internal Stop Loss Fund. The Stop Loss Fund was initiated to eliminate the need to purchase aggregate reinsurance for aggregate losses paid in excess of \$107,000, net of reinsurance recoveries for any one member in any one year. Aggregate paid losses in excess of \$107,000 net of reinsurance recoveries are paid entirely from the Internal Stop Loss Fund. If at any time the Stop Loss Fund is insufficient to fund Lake County's losses, the remaining liability shall become the responsibility of the Authority as a whole.

At December 31, 2003, the County had funds on deposit of \$24,901 with the Authority and no reserves for reported claims.

The County also participates in a pool, the Michigan Counties' Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. The County has no liability for additional assessments based on the claims filed against the pool nor do they have any right to dividends.

**NOTE K: PROPERTY TAXES AND TAX RECEIVABLE**

The County property tax is levied each December 1 on the taxable valuation of property located in the County as of the preceding December 31. On December 1, the property tax attachment is an enforceable lien on property and is payable by the last day of the next February.

Although the County's 2002 ad valorem tax is levied and collectible by December 31, 2003, it is the County's policy for all governmental fund types to recognize revenues from the current tax levy in the year when the proceeds of the levy are budgeted and made available for financing County operations.

Taxable values are established annually by the local municipalities and are equalized by the County based on State statutes at an estimated percentage of the current market value. Real and personal property in Lake County for the 2002 levy had a taxable value of \$345,324,085 on which ad valorem taxes levied for County general operating purposes was 6.5664 mills. The Ambulance, Council on Aging, and Sheriff Road Patrol Funds levied 1.3452, 0.7076, and 2.9305 mills, respectively.

Taxes are collected by the various tax collecting units from the date of the levy and remitted to the County through the Trust and Agency Fund for distribution to the General, Special Revenue, and Component Unit Funds. The property tax levied December 1 are accrued as current tax receivable with the appropriate deferral, and are budgeted as revenue in the subsequent year in the General; Ambulance and Sheriff Road Patrol (Special Revenue); and the Council on Aging (Component Unit) Fund.

Taxes receivable recorded in the respective funds at December 31, 2003, are as follows:

Taxes Receivable	General	Special Revenue		Component Unit	Enterprise Delinquent Tax Revolving Funds	Totals
		Sheriff Road Patrol	Ambulance	Council on Aging		
Current	\$ 2,347,531	\$ 1,047,660	\$ 479,295	\$ 252,974	\$ -	\$ 4,127,460
Delinquent	-	-	-	-	789,657	789,657
	\$ 2,347,531	\$ 1,047,660	\$ 479,295	\$ 252,974	\$ 789,657	\$ 4,917,117

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

December 31, 2003

**NOTE K: PROPERTY TAXES AND TAX RECEIVABLE**

The delinquent taxes receivable represents unpaid real property taxes in the Delinquent Tax Revolving Fund.

By agreement with the various taxing authorities, the County purchases at face value the real property taxes returned delinquent each March 1 and records a corresponding delinquent tax receivable.

These receivables are pledged to a bank for the payment of the notes payable, the proceeds of which were used to liquidate the amounts owed to the General and Special Revenue Funds and other taxing authorities. Subsequent collection on the delinquent taxes receivable, plus interest and administration fees thereon, and investment earnings are used to service the notes payable.

Any real property taxes not collected are charged back to the General and Special Revenue Funds and all other taxing authorities affected. Past experience has indicated that such chargebacks should not be material and, as a result there has been no establishment of an amount for uncollectible taxes receivable in any of the funds. This activity is accounted for in the Delinquent Tax Revolving Funds.

**NOTE L: FUND DEFICITS**

The following funds had a fund equity deficit at December 31, 2003:

	<u>Deficit</u>
PRIMARY GOVERNMENT	
Special Revenue Funds	
Emergency 911	\$ 8,473
T.R.V.	166,670
Friend of the Court	22,258
Child Care Probate	187,331

**NOTE M: FUND EQUITY RESERVES AND DESIGNATIONS**

Reserved fund balance and retained earnings are used to earmark a portion of fund equity to indicate that it is not appropriate for expenditure or has been legally segregated for a specific future use. Designated fund balance indicates that portion of fund balance that the County has set aside for specific purposes.

The following are the various fund balance reserves as of December 31, 2003:

PRIMARY GOVERNMENT	
General Fund	
Reserved for County projects	
Marine expenditures	\$ 150
K-9 expenditures	<u>937</u>
	1,087
Debt Service Funds	
Building Authority	
Reserved for bond principal and interest redemption	<u>627,321</u>
	<u>\$ 628,408</u>

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

December 31, 2003

**NOTE M: FUND EQUITY RESERVES AND DESIGNATIONS - CONTINUED**

The following are the various retained earnings reserves as of December 31, 2003:

Proprietary Funds	
Internal Service Funds	
Fringe Benefits	
Reserved for potential losses	<u>\$ 72,977</u>

**NOTE N: EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

In the body of the General Purpose financial statements, the County's budgeted expenditures in the General and Special Revenue Funds have been shown at the functional classification level. The approved budgets of the County have been adopted at the activity level for the General Fund and the fund level for the Special Revenue Funds.

During the year ended December 31, 2003, the County incurred expenditures in the General Fund and eleven (11) Special Revenue Funds in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
Emergency Services	\$ 61,048	\$ 82,425	\$ 21,377
Special Revenue Funds			
Friend of the Court	\$ 187,099	\$ 196,845	\$ 9,746
Building Inspection	201,640	233,816	32,176
Housing Program	-	35	35
D.A.R.E. Program	-	5,833	5,833
Secondary Road Patrol	67,383	68,426	1,043
Drug Law Enforcement	-	63,200	63,200
Criminal Justice Training	3,600	15,335	11,735
Ambulance	468,000	476,868	8,868
TRV	2,012,850	2,057,581	44,731
Register of Deeds Automation	-	9,817	9,817
Social Services EZ/EC Pass Through Grant	-	36,650	36,650

**NOTE O: GASB STATEMENT NO. 34**

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (Statement). Certain of the significant changes in the Statement include the following:

For the first time the financial statements will include:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the County's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the County's activities, including reporting infrastructure assets (roads, bridges, etc.).
- A change in the fund financial statements to focus on the major funds.

Lake County, Michigan

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

December 31, 2003

**NOTE O: GASB STATEMENT NO. 34 - CONTINUED**

The general provisions of GASB Statement No. 34 must be implemented by Lake County no later than the fiscal year ending December 31, 2004; the retroactive reporting of infrastructures, if any, must be implemented no later than the year ending December 31, 2008.

**NOTE P: SEGMENT INFORMATION**

The County operates the Jail Commissary providing sales of goods to inmates and the Delinquent Tax Revolving Fund accounts for money, either advanced by a county or by the issuance of general obligation limited tax notes, to pay other taxing units and various county funds for their delinquent taxes. Segment information for the year ended December 31, 2003, is as follows:

	Treasurer Unrestricted	1998 DTR	1999 DTR	2000 DTR	2001 DTR	2002 DTR	Commissary	Treasurer Administration	Total
Operating revenue	\$ 134,093	\$ -	\$ 656	\$ 246,509	\$ 143,105	\$ 146,311	\$ 97,344	\$ 994	\$ 769,012
Operating expenses									
Other	-	-	8,091	-	35,691	-	84,244	116	128,142
Operating income (loss)	134,093	-	( 7,435 )	246,509	107,414	146,311	13,100	-	640,870
Nonoperating Revenues									
Interest	40,091	-	230	289	1,931	1,108	-	16	43,665
Transfers in	14,780	3,605	-	-	-	1,393,089	-	-	1,411,474
Nonoperating expenses									
Transfers out	277,304	186,629	220,585	561,065	439,590	-	-	761	1,685,934
Net income (loss)	( 88,340 )	( 183,024 )	( 227,790 )	( 314,267 )	( 330,245 )	1,540,508	13,100	133	410,075
Net working capital	1,149,568	-	68,178	219,797	657,231	1,540,508	13,378	3,013	3,651,676
Total assets	1,801,844	-	68,178	221,047	668,520	1,540,919	21,080	3,744	4,325,362
Total equity	1,784,348	-	68,178	219,797	657,231	1,540,508	13,378	3,013	4,286,453

**NOTE Q: PRIOR PERIOD ADJUSTMENTS**

The following prior period adjustments were made during the current period, which were the result of correction of accounting errors. These adjustments were reported as changes to beginning fund equity. The effect on operations and other affected balances for the current year and prior period are as follows:

	December 31, <u>2003</u>	<u>2002</u>	<u>Description</u>
PRIMARY GOVERNMENT			
General Fund			
Due to others	\$ -	\$ 61,638	Correct overstatement
Revenues over/under expenditures	-	61,638	of due to others
Fund balance - beginning	61,638	-	
Due from other funds	-	( 10,498 )	Correct overstatement
Fund balance - beginning	( 10,498 )	-	of due from other funds
Special Revenue Funds			
Child Care			
Accounts payable	-	( 21,037 )	Correct understatement
Revenues over/under expenditures	-	( 21,037 )	of accounts payable
Fund balance - beginning	( 21,037 )	-	
Capital Projects Funds			
Building Authority Courthouse/Jail Renovation			
Due to other funds	-	10,498	Correct overstatement
Fund balance - beginning	10,498	-	of due to other funds

## **SUPPLEMENTAL FINANCIAL INFORMATION**

Lake County, Michigan

General Fund

STATEMENT OF REVENUES AND OTHER FINANCING SOURCES -  
BUDGET AND ACTUAL

For the Year Ended December 31, 2003

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Taxes			
Current and delinquent property taxes	\$ 2,201,000	\$ 2,256,460	\$ 55,460
Tax reverted land	7,000	30,494	23,494
Payments in lieu of taxes	94,971	135,046	40,075
Total taxes	2,302,971	2,422,000	119,029
Licenses and permits			
Gun permits	600	790	190
Dog licenses	4,750	6,121	1,371
Marriage license fees	300	420	120
Total licenses and permits	5,650	7,331	1,681
Intergovernmental - Federal/State			
Emergency management	34,516	16,495	(18,021)
Federal forest grant	4,400	6,875	2,475
Probate Judge's salary	118,298	118,296	(2)
Circuit Court Judge's salary	8,500	8,688	188
Juvenile officer	27,317	27,317	-0-
District Court case flow assistance	7,000	5,148	(1,852)
Court Equity	84,000	89,737	5,737
Voter aid registration	3,800	4,044	244
Cigarette tax	5,899	-	(5,899)
Marine safety	20,511	15,881	(4,630)
Snowmobile grant	17,144	8,348	(8,796)
ORV grant	14,973	14,973	-0-
ODCP grant	25,496	25,496	-0-
SAP training grant	2,900	-	(2,900)
Remonumentation	37,023	38,972	1,949
Convention and tourism tax	57,658	109,572	51,914
State revenue sharing	224,845	215,093	(9,752)
Liquor law enforcement	8,500	8,155	(345)
4-H tobacco prevention grant	10,494	10,494	-0-
State domestic preparedness	2,500	34,482	31,982
Total intergovernmental - Federal/State	715,774	758,066	42,292
Intergovernmental - Local			
ODCP grant	4,250	4,000	(250)
Charges for services			
Circuit Court costs	15,000	13,688	(1,312)
Circuit Court services	7,600	6,576	(1,024)
District Court costs	235,000	253,560	18,560
District Court civil fees	52,300	51,243	(1,057)



Lake County, Michigan

General Fund

STATEMENT OF REVENUES AND OTHER FINANCING SOURCES -  
BUDGET AND ACTUAL - CONTINUED

For the Year Ended December 31, 2003

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Charges for services - continued			
Probate Court services	\$ 31,500	\$ 27,545	\$ (3,955)
County Treasurer services	2,000	23,714	21,714
County Clerk services	4,900	5,935	1,035
Register of Deeds services	152,500	173,429	20,929
Inmate housing	100,000	73,361	(26,639)
Sheriff department services	21,687	28,031	6,344
Administrative services	186,149	97,966	(88,183)
Other	8,825	9,939	1,114
Total charges for services	817,461	764,987	(52,474)
Fines and forfeits			
Bond forfeitures	6,000	12,398	6,398
Interest and rents			
Interest on investments	5,000	23,760	18,760
Other			
Donations	-	545	545
Sale of land	100	254	154
Other sales	5,250	8,625	3,375
Insurance dividends	20,000	19,375	(625)
Reimbursements and refunds	39,000	67,508	28,508
Other	55,200	2,432	(52,768)
Total other	119,550	98,739	(20,811)
Total revenues	3,976,656	4,091,281	114,625
OTHER FINANCING SOURCES			
Operating transfers in			
Treasurer's unrestricted fund	16,000	16,000	-0-
Drug enforcement	200	4,250	4,050
Criminal justice	-	11,230	11,230
Revolving fund	285,248	-	(285,248)
Treasurer's administrative fund	-	761	761
Social security inmate fund	-	1,200	1,200
Total other financing sources	301,448	33,441	(268,007)
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 4,278,104</u>	<u>\$ 4,124,722</u>	<u>\$ (153,382)</u>

Lake County, Michigan

General Fund

STATEMENT OF EXPENDITURES AND OTHER FINANCING USES BY ACTIVITY -  
BUDGET AND ACTUAL

For the Year Ended December 31, 2003

	Amended Budget	Actual	Variance Favorable (Unfavorable)
General government			
Board of Commissioners	\$ 215,383	\$ 211,184	\$ 4,199
Trial Court	768,154	740,306	27,848
Circuit Court	1,975	1,851	124
Jury board	4,897	2,687	2,210
Public guardian	6,355	6,345	10
Elections	22,100	22,097	3
Accounting	61,550	58,676	2,874
Legal counsel	15,179	11,719	3,460
Clerk	205,078	202,812	2,266
Equalization	161,131	161,130	1
Prosecuting Attorney	203,066	175,509	27,557
Register of Deeds	78,864	55,725	23,139
Surveying/Remonumentation	38,973	38,973	-0-
Central copying	19,000	17,889	1,111
Treasurer	161,134	158,389	2,745
Cooperative extension	62,544	57,894	4,650
Courthouse and grounds	380,191	377,228	2,963
Drain commissioner	900	-	900
Soil conservation	2,500	2,500	-0-
Total general government	2,408,974	2,302,914	106,060
Public safety			
Sheriff - general	205,824	199,253	6,571
Marine safety	19,362	15,289	4,073
Snowmobile safety	12,112	10,556	1,556
ORV	14,973	14,960	13
Rivers and streams	3,667	2,512	1,155
Jail building and grounds	820,738	722,851	97,887
Jail kitchen	70,350	70,337	13
Emergency services	61,048	82,425	(21,377)
Animal control	105,314	95,842	9,472
Total public safety	1,313,388	1,214,025	99,363
Community and economic development			
Planning department	6,660	3,973	2,687
Plat board	150	-	150
Planning appropriation	3,820	3,360	460
	10,630	7,333	3,297

Lake County, Michigan

General Fund

STATEMENT OF EXPENDITURES AND OTHER FINANCING USES BY ACTIVITY -  
BUDGET AND ACTUAL - CONTINUED

For the Year Ended December 31, 2003

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Health and welfare			
District Health department	\$ 83,336	\$ 82,468	\$ 868
Substance abuse appropriation	28,210	28,210	-0-
Medical examiner	31,588	23,854	7,734
Veterans burials	6,495	6,495	-0-
Mental Health	55,250	55,250	-0-
Family Independence Agency	26,500	26,500	-0-
Total health and welfare	231,379	222,777	8,602
Other			
Postage	39,682	39,675	7
Other	9,470	7,173	2,297
Total other	49,152	46,848	2,304
Capital outlay	76,361	76,360	1
TOTAL EXPENDITURES	4,089,884	3,870,257	219,627
OTHER FINANCING USES			
Operating transfers to other funds			
Child Care Probate Fund	188,220	172,535	15,685
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 4,278,104	\$ 4,042,792	\$ 235,312

Lake County, Michigan

Special Revenue Funds

COMBINING BALANCE SHEET

December 31, 2003

	Sheriff Road Patrol	Pleasant Plains Officer	Yates Township Officer	Emergency 911
ASSETS				
Cash and cash equivalents	\$ 70,262	\$ (32,557)	\$ (7,791)	\$ (7,017)
Receivables				
Taxes	1,047,660	-	-	-
Due from other funds	34	-	-	-
Due from other governmental units				
Federal/State	-	34,828	9,088	11,264
TOTAL ASSETS	<u>\$ 1,117,956</u>	<u>\$ 2,271</u>	<u>\$ 1,297</u>	<u>\$ 4,247</u>
LIABILITIES AND FUND BALANCES (DEFICITS)				
LIABILITIES				
Accounts payable	\$ 24,820	\$ -	\$ -	\$ 1,065
Accrued liabilities	20,535	2,226	1,297	11,655
Due to other funds	-	-	-	-
Due to other governmental units				
Federal/State	-	-	-	-
Local	-	45	-	-
Deferred revenue	1,047,660	-	-	-
TOTAL LIABILITIES	1,093,015	2,271	1,297	12,720
FUND BALANCES (DEFICITS)				
Unreserved				
Undesignated	24,941	-	-	(8,473)
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 1,117,956</u>	<u>\$ 2,271</u>	<u>\$ 1,297</u>	<u>\$ 4,247</u>

T.R.V.	Education Grants	Friend of the Court	Crime Victims	Building Inspection	2001 Housing Program
\$ (429,719)	\$ 14,915	\$ (62,598)	\$ (5,883)	\$ 81,824	\$ 12,684
-	-	-	-	-	-
-	-	-	-	-	-
324,250	-	46,560	15,900	-	-
<u>\$ (105,469)</u>	<u>\$ 14,915</u>	<u>\$ (16,038)</u>	<u>\$ 10,017</u>	<u>\$ 81,824</u>	<u>\$ 12,684</u>
\$ 34,444	\$ -	\$ 2,572	\$ 102	\$ 6,163	\$ -
26,397	-	3,648	-	2,387	-
360	-	-	-	-	-
-	-	-	-	-	6,754
-	-	-	-	-	-
-	-	-	-	-	-
61,201	-0-	6,220	102	8,550	6,754
(166,670)	14,915	(22,258)	9,915	73,274	5,930
<u>\$ (105,469)</u>	<u>\$ 14,915</u>	<u>\$ (16,038)</u>	<u>\$ 10,017</u>	<u>\$ 81,824</u>	<u>\$ 12,684</u>

Lake County, Michigan

Special Revenue Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2003

	D.A.R.E. Program	Law Library	Secondary Road Patrol	Drug Law Enforcement
ASSETS				
Cash and cash equivalents	\$ 4,397	\$ (1,633)	\$ (9,177)	\$ 28,383
Receivables				
Taxes	-	-	-	-
Due from other funds	-	2,000	-	-
Due from other governmental units				
Federal/State	-	-	14,505	-
TOTAL ASSETS	<u>\$ 4,397</u>	<u>\$ 367</u>	<u>\$ 5,328</u>	<u>\$ 28,383</u>
LIABILITIES AND FUND BALANCES (DEFICITS)				
LIABILITIES				
Accounts payable	\$ 85	\$ 367	\$ -	\$ 1,595
Accrued liabilities	-	-	1,805	-
Due to other funds	-	-	-	-
Due to other governmental units				
Federal/State	-	-	-	-
Local	-	-	-	-
Deferred revenue	-	-	-	-
TOTAL LIABILITIES	85	367	1,805	1,595
FUND BALANCES (DEFICITS)				
Unreserved				
Undesignated	<u>4,312</u>	<u>-</u>	<u>3,523</u>	<u>26,788</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 4,397</u>	<u>\$ 367</u>	<u>\$ 5,328</u>	<u>\$ 28,383</u>

E911 Wireless Service	Criminal Justice Training	Register of Deeds Automation Fund	Community Corrections	Child Care Probate
\$ 107,147	\$ 648	17,514	\$ 2,307	\$ (207,846)
-	-	-	-	-
-	-	-	-	-
19,168	-	-	-	42,375
<u>\$ 126,315</u>	<u>\$ 648</u>	<u>\$ 17,514</u>	<u>\$ 2,307</u>	<u>\$ (165,471)</u>
\$ 112	\$ -	127	\$ -	\$ 20,149
-	-	-	-	1,711
-	-	-	-	-
-	-	-	2,307	-
-	-	-	-	-
-	-	-	-	-
112	-0-	127	2,307	21,860
126,203	648	17,387	-	(187,331)
<u>\$ 126,315</u>	<u>\$ 648</u>	<u>\$ 17,514</u>	<u>\$ 2,307</u>	<u>\$ (165,471)</u>

Lake County, Michigan

Special Revenue Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2003

	Veteran's Trust	Marriage Council	Ambulance	Inmate Social Security
ASSETS				
Cash and cash equivalents	\$ 1,094	\$ 19,700	\$ 256,563	\$ 5,056
Receivables				
Taxes	-	-	479,295	-
Due from other funds	-	-	-	-
Due from other governmental units				
Federal/State	-	-	-	-
TOTAL ASSETS	<u>\$ 1,094</u>	<u>\$ 19,700</u>	<u>\$ 735,858</u>	<u>\$ 5,056</u>
LIABILITIES AND FUND BALANCES (DEFICITS)				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ 2,006	\$ -
Accrued liabilities	-	-	-	-
Due to other funds	-	-	619	1,200
Due to other governmental units				
Federal/State	-	-	-	-
Local	-	-	-	-
Deferred revenue	-	-	479,295	-
TOTAL LIABILITIES	-0-	-0-	481,920	1,200
FUND BALANCES (DEFICITS)				
Unreserved				
Undesignated	<u>1,094</u>	<u>19,700</u>	<u>253,938</u>	<u>3,856</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 1,094</u>	<u>\$ 19,700</u>	<u>\$ 735,858</u>	<u>\$ 5,056</u>



F.I.A. Building	Housing Escrow	Social Services EZ/EC Pass Through Grant	Total
\$ 137,314	\$ 1,131	-	\$ (3,282)
-	-	-	1,526,955
-	-	-	2,034
-	-	106,778	624,716
<u>\$ 137,314</u>	<u>\$ 1,131</u>	<u>\$ 106,778</u>	<u>\$ 2,150,423</u>
\$ 2,287	\$ -	-	\$ 95,894
-	-	-	71,661
-	-	-	2,179
-	-	106,778	115,839
-	-	-	45
-	-	-	1,526,955
2,287	-0-	106,778	1,812,573
<u>135,027</u>	<u>1,131</u>	<u>-</u>	<u>337,850</u>
<u>\$ 137,314</u>	<u>\$ 1,131</u>	<u>\$ 106,778</u>	<u>\$ 2,150,423</u>

Lake County, Michigan

Special Revenue Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES

For the Year Ended December 31, 2003

	Sheriff Road Patrol	Pleasant Plains Officer	Yates Township Officer	Emergency 911
REVENUES				
Taxes	\$ 1,016,851	\$ -	\$ -	\$ -
Intergovernmental				
Federal/State	16,653	-	-	-
Charges for services	-	98,213	33,706	251,462
Fine and forfeits	-	-	-	-
Interest and rents	-	-	-	-
Other	28,680	-	-	-
TOTAL REVENUES	1,062,184	98,213	33,706	251,462
EXPENDITURES				
Current				
General government	-	-	-	-
Public safety	748,350	98,492	33,791	397,650
Health and welfare	-	-	-	-
Capital outlay	142,899	-	-	7,885
TOTAL EXPENDITURES	891,249	98,492	33,791	405,535
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	170,935	(279)	(85)	(154,073)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	11,230	279	85	154,124
Operating transfers out	(28,909)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(17,679)	279	85	154,124
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	153,256	-0-	-0-	51
Fund balances (deficits), beginning of year	(128,315)	-	-	(8,524)
Prior period adjustment	-	-	-	-
Fund balances (deficits), end of year	\$ 24,941	\$ -0-	\$ -0-	\$ (8,473)

T.R.V.	Education Grants	Friend of the Court	Crime Victims	Building Inspection	2001 Housing Program
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,856,860	-	166,266	27,100	-	-
33,733	-	8,321	-	262,069	5,930
-	-	-	-	-	-
-	-	-	-	-	-
318	-	-	-	-	-
1,890,911	-0-	174,587	27,100	262,069	5,930
-	-	196,845	-	-	-
1,641,825	-	-	-	193,218	-
-	-	-	21,142	-	35
7,732	-	-	-	40,598	-
1,649,557	-0-	196,845	21,142	233,816	35
241,354	-0-	(22,258)	5,958	28,253	5,895
88,337	-	7,465	-	-	-
(408,024)	-	-	-	-	-
(319,687)	-0-	7,465	-0-	-0-	-0-
(78,333)	-0-	(14,793)	5,958	28,253	5,895
(88,337)	14,915	(7,465)	3,957	45,021	35
-	-	-	-	-	-
\$ (166,670)	\$ 14,915	\$ (22,258)	\$ 9,915	\$ 73,274	\$ 5,930

Lake County, Michigan

Special Revenue Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - CONTINUED

For the Year Ended December 31, 2003

	D.A.R.E. Program	Law Library	Secondary Road Patrol	Drug Law Enforcement
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental				
Federal/State	-	-	51,111	-
Charges for services	-	-	-	-
Fine and forfeits	-	2,000	-	-
Interest and rents	-	-	-	-
Other	6,850	-	-	80,247
	<u>6,850</u>	<u>-</u>	<u>-</u>	<u>80,247</u>
TOTAL REVENUES	6,850	2,000	51,111	80,247
EXPENDITURES				
Current				
General government	-	9,977	-	-
Public safety	5,833	-	68,426	58,950
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>5,833</u>	<u>9,977</u>	<u>68,426</u>	<u>58,950</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,017	(7,977)	(17,315)	21,297
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	15,874	17,315	-
Operating transfers out	-	-	-	(4,250)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,250)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-0-</u>	<u>15,874</u>	<u>17,315</u>	<u>(4,250)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	1,017	7,897	-0-	17,047
Fund balances (deficits), beginning of year	3,295	(7,897)	3,523	9,741
Prior period adjustment	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances (deficits), end of year	<u>\$ 4,312</u>	<u>\$ -0-</u>	<u>\$ 3,523</u>	<u>\$ 26,788</u>

E911 Wireless Service	Criminal Justice Training	Register of Deeds Automation Fund	Community Corrections	Child Care Probate
\$ -	\$ -	\$ -	\$ -	\$ -
-	4,290	-	-	239,302
81,424	-	27,204	-	45,611
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
81,424	4,290	27,204	-0-	284,913
-	-	9,817	-	-
-	4,105	-	-	-
11,456	-	-	-	523,216
-	-	-	-	-
11,456	4,105	9,817	-0-	523,216
69,968	185	17,387	-0-	(238,303)
-	-	-	-	326,535
-	(11,230)	-	-	-
-0-	(11,230)	-0-	-0-	326,535
69,968	(11,045)	17,387	-0-	88,232
56,235	11,693	-	-	(254,526)
-	-	-	-	(21,037)
<u>\$ 126,203</u>	<u>\$ 648</u>	<u>\$ 17,387</u>	<u>\$ -0-</u>	<u>\$ (187,331)</u>

Lake County, Michigan

Special Revenue Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - CONTINUED

For the Year Ended December 31, 2003

	Veteran's Trust	Marriage Council	Ambulance	Inmate Social Security
REVENUES				
Taxes	\$ -	\$ -	\$ 461,418	\$ -
Intergovernmental				
Federal/State	-	-	-	-
Charges for services	-	1,200	-	-
Fine and forfeits	-	-	-	-
Interest and rents	-	-	265	14
Other	-	-	4,590	2,000
TOTAL REVENUES	-0-	1,200	466,273	2,014
EXPENDITURES				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	272,744	-
Capital outlay	-	-	-	-
TOTAL EXPENDITURES	-0-	-0-	272,744	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-0-	1,200	193,529	2,014
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	(204,124)	(1,200)
TOTAL OTHER FINANCING SOURCES (USES)	-0-	-0-	(204,124)	(1,200)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-0-	1,200	(10,595)	814
Fund balances (deficits), beginning of year	1,094	18,500	264,533	3,042
Prior period adjustment	-	-	-	-
Fund balances (deficits), end of year	\$ 1,094	\$ 19,700	\$ 253,938	\$ 3,856

F.I.A. Building	Housing Escrow	Social Services EZ/EC Pass Through Grant	Total
\$ -	\$ -	\$ -	\$ 1,478,269
-	-	36,650	2,398,232
-	-	-	848,873
-	-	-	2,000
229,984	-	-	230,263
-	-	-	122,685
229,984	-0-	36,650	5,080,322
-	-	-	216,639
-	-	-	3,250,640
21,855	-	36,650	887,098
-	-	-	199,114
21,855	-0-	36,650	4,553,491
208,129	-0-	-0-	526,831
-	-	-	621,244
(192,250)	-	-	(849,987)
(192,250)	-0-	-0-	(228,743)
15,879	-0-	-0-	298,088
119,148	1,131	-	60,799
-	-	-	(21,037)
\$ 135,027	\$ 1,131	\$ -0-	\$ 337,850

Lake County, Michigan

Special Revenue Funds

STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES BY FUND - BUDGET TO ACTUAL

For the Year Ended December 31, 2003

Sheriff Road Patrol

	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Taxes	\$ 990,470	\$ 1,016,851	\$ 26,381
Intergovernmental - Federal/State	12,786	16,653	3,867
Other	450	28,680	28,230
TOTAL REVENUES	1,003,706	1,062,184	58,478
EXPENDITURES			
Public safety	771,736	748,350	23,386
Capital outlay	127,667	142,899	(15,232)
TOTAL EXPENDITURES	899,403	891,249	8,154
EXCESS OF REVENUES OVER EXPENDITURES	104,303	170,935	66,632
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	11,230	11,230
Operating transfers out	(104,303)	(28,909)	75,394
TOTAL OTHER FINANCING SOURCES (USES)	(104,303)	(17,679)	86,624
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	-0-	153,256	153,256
Fund (deficit), beginning of year	(128,315)	(128,315)	-0-
Fund (deficit), end of year	\$ (128,315)	\$ 24,941	\$ 153,256



Lake County, Michigan

Special Revenue Funds

STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES BY FUND - BUDGET TO ACTUAL - CONTINUED

For the Year Ended December 31, 2003

	Amended Budget	Actual	Variance Favorable (Unfavorable)
<u>Pleasant Plains Officer</u>			
REVENUES			
Charges for services	\$ 122,821	\$ 98,213	\$ (24,608)
EXPENDITURES			
Public safety	<u>122,821</u>	<u>98,492</u>	<u>24,329</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	-0-	(279)	(279)
OTHER FINANCING SOURCES			
Operating transfers in	<u>-</u>	<u>279</u>	<u>279</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	-0-	-0-	-0-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-0-</u>
Fund balance (deficit), end of year	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
<u>Yates Township Officer</u>			
REVENUES			
Charges for services	\$ 43,960	\$ 33,706	\$ (10,254)
EXPENDITURES			
Public safety	<u>43,690</u>	<u>33,791</u>	<u>9,899</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	270	(85)	(355)
OTHER FINANCING SOURCES			
Operating transfers in	<u>-</u>	<u>85</u>	<u>85</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	270	-0-	(270)
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-0-</u>
Fund balance (deficit), end of year	<u>\$ 270</u>	<u>\$ -0-</u>	<u>\$ (270)</u>

Lake County, Michigan

Special Revenue Funds

STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES BY FUND - BUDGET TO ACTUAL - CONTINUED

For the Year Ended December 31, 2003

Emergency 911

	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Charges for services	\$ 248,000	\$ 251,462	\$ 3,462
EXPENDITURES			
Public safety	410,589	397,650	12,939
Capital outlay	10,411	7,885	2,526
TOTAL EXPENDITURES	421,000	405,535	15,465
EXCESS OF REVENUES (UNDER) EXPENDITURES	(173,000)	(154,073)	18,927
OTHER FINANCING SOURCES			
Operating transfers in	173,000	154,124	(18,876)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	-0-	51	51
Fund balance (deficit), beginning of year	(8,524)	(8,524)	-0-
Fund balance (deficit), end of year	<u>\$ (8,524)</u>	<u>\$ (8,473)</u>	<u>\$ 51</u>

Lake County, Michigan

Special Revenue Funds

STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES BY FUND - BUDGET TO ACTUAL - CONTINUED

For the Year Ended December 31, 2003

	Amended Budget	Actual	Variance Favorable (Unfavorable)
<u>T.R.V.</u>			
REVENUES			
Intergovernmental - State	\$ 1,930,850	\$ 1,856,860	\$ (73,990)
Charges for services	81,000	33,733	(47,267)
Other	1,000	318	(682)
TOTAL REVENUES	2,012,850	1,890,911	(121,939)
EXPENDITURES			
Public safety	1,850,773	1,641,825	208,948
Capital outlay	14,205	7,732	6,473
TOTAL EXPENDITURES	1,864,978	1,649,557	215,421
EXCESS OF REVENUES OVER EXPENDITURES	147,872	241,354	93,482
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	88,337	88,337
Operating transfers out	(147,872)	(408,024)	(260,152)
TOTAL OTHER FINANCING SOURCES (USES)	(147,872)	(319,687)	(171,815)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (UNDER) EXPENDITURES AND OTHER FINANCING USES	-0-	(78,333)	(78,333)
Fund balance (deficit), beginning of year	(88,337)	(88,337)	-0-
Fund balance (deficit), end of year	<u>\$ (88,337)</u>	<u>\$ (166,670)</u>	<u>\$ (78,333)</u>

Education Grants

REVENUES	\$ -	\$ -	\$ -0-
EXPENDITURES	-	-	-0-
EXCESS OF REVENUES OVER EXPENDITURES	-0-	-0-	-0-
Fund balance, beginning of year	14,915	14,915	-0-
Fund balance, end of year	<u>\$ 14,915</u>	<u>\$ 14,915</u>	<u>\$ -0-</u>

Lake County, Michigan

Special Revenue Funds

STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES BY FUND - BUDGET TO ACTUAL - CONTINUED

For the Year Ended December 31, 2003

	Amended Budget	Actual	Variance Favorable (Unfavorable)
<u>Friend of the Court</u>			
REVENUES			
Intergovernmental - Federal/State	\$ 139,400	\$ 166,266	26,866
Charges for services	6,150	8,321	2,171
TOTAL REVENUES	145,550	174,587	29,037
EXPENDITURES			
General government	187,099	196,845	(9,746)
EXCESS OF REVENUES (UNDER) EXPENDITURES	(41,549)	(22,258)	19,291
OTHER FINANCING SOURCES			
Operating transfers in	-	7,465	7,465
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (UNDER) EXPENDITURES	(41,549)	(14,793)	26,756
Fund balance (deficit), beginning of year	(7,465)	(7,465)	-0-
Fund balance (deficit), end of year	<u>\$ (49,014)</u>	<u>\$ (22,258)</u>	<u>\$ 26,756</u>
<u>Crime Victims</u>			
REVENUES			
Intergovernmental - State	\$ 27,100	\$ 27,100	\$ -
EXPENDITURES			
Health and welfare	27,100	21,142	5,958
EXCESS OF REVENUES OVER EXPENDITURES	-0-	5,958	5,958
Fund balance, beginning of year	3,957	3,957	-0-
Fund balance, end of year	<u>\$ 3,957</u>	<u>\$ 9,915</u>	<u>\$ 5,958</u>

Lake County, Michigan

Special Revenue Funds

STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES BY FUND - BUDGET TO ACTUAL - CONTINUED

For the Year Ended December 31, 2003

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Building Inspection</u>			
REVENUES			
Charges for services	\$ 201,640	\$ 262,069	\$ 60,429
EXPENDITURES			
Public safety	197,545	193,218	4,327
Capital outlay	<u>4,095</u>	<u>40,598</u>	<u>(36,503)</u>
TOTAL EXPENDITURES	<u>201,640</u>	<u>233,816</u>	<u>(32,176)</u>
EXCESS OF REVENUES OVER EXPENDITURES	-0-	28,253	28,253
Fund balance, beginning of year	<u>45,021</u>	<u>45,021</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 45,021</u>	<u>\$ 73,274</u>	<u>\$ 28,253</u>
<u>2001 Housing Program</u>			
REVENUES			
Charges for services	<u>-</u>	<u>5,930</u>	<u>5,930</u>
EXPENDITURES			
Health and welfare	<u>-</u>	<u>35</u>	<u>(35)</u>
EXCESS OF REVENUES OVER EXPENDITURES	-0-	5,895	5,895
Fund balance, beginning of year	<u>35</u>	<u>35</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 35</u>	<u>\$ 5,930</u>	<u>\$ -0-</u>

Lake County, Michigan

Special Revenue Funds

STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES BY FUND - BUDGET TO ACTUAL - CONTINUED

For the Year Ended December 31, 2003

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>D.A.R.E. Program</u>			
REVENUES			
Other			
Contributions	\$ -	\$ 6,850	\$ 6,850
EXPENDITURES			
Public safety	-	5,833	(5,833)
EXCESS OF REVENUES OVER EXPENDITURES	-0-	1,017	1,017
Fund balance, beginning of year	3,295	3,295	-0-
Fund balance, end of year	<u>\$ 3,295</u>	<u>\$ 4,312</u>	<u>\$ 1,017</u>

Law Library

REVENUES			
Fines and forfeits	\$ 2,000	\$ 2,000	\$ -0-
EXPENDITURES			
General government	10,000	9,977	23
EXCESS OF REVENUES (UNDER) EXPENDITURES	(8,000)	(7,977)	23
OTHER FINANCING SOURCES			
Operating transfers in	8,000	15,874	7,874
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (UNDER) EXPENDITURES	-0-	7,897	7,897
Fund balance (deficit), beginning of year	(7,897)	(7,897)	-0-
Fund balance (deficit), end of year	<u>\$ (7,897)</u>	<u>\$ -0-</u>	<u>\$ 7,897</u>

Lake County, Michigan

Special Revenue Funds

STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES BY FUND - BUDGET TO ACTUAL - CONTINUED

For the Year Ended December 31, 2003

	Amended Budget	Actual	Variance Favorable (Unfavorable)
<u>Secondary Road Patrol</u>			
REVENUES			
Intergovernmental - State	\$ 52,267	\$ 51,111	\$ (1,156)
EXPENDITURES			
Public safety	<u>67,383</u>	<u>68,426</u>	<u>(1,043)</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(15,116)	(17,315)	(2,199)
OTHER FINANCING SOURCES			
Operating transfers in	<u>15,116</u>	<u>17,315</u>	<u>2,199</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	-0-	-0-	-0-
Fund balance, beginning of year	<u>3,523</u>	<u>3,523</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 3,523</u>	<u>\$ 3,523</u>	<u>\$ -0-</u>

Drug Law Enforcement

REVENUES			
Other	\$ -	\$ 80,247	\$ 80,247
EXPENDITURES			
Public safety	<u>-</u>	<u>58,950</u>	<u>(58,950)</u>
EXCESS OF REVENUES OVER EXPENDITURES	-0-	21,297	21,297
OTHER FINANCING USES			
Operating transfers out	<u>-</u>	<u>(4,250)</u>	<u>(4,250)</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	-0-	17,047	17,047
Fund balance, beginning of year	<u>9,741</u>	<u>9,741</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 9,741</u>	<u>\$ 26,788</u>	<u>\$ 17,047</u>

Lake County, Michigan

Special Revenue Funds

STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES BY FUND - BUDGET TO ACTUAL - CONTINUED

For the Year Ended December 31, 2003

	Amended Budget	Actual	Variance Favorable (Unfavorable)
<u>E911 Wireless Service</u>			
REVENUES			
Charges for services	\$ 43,828	\$ 81,424	\$ 37,596
EXPENDITURES			
Health and welfare	23,828	11,456	12,372
EXCESS OF REVENUES OVER EXPENDITURES	20,000	69,968	49,968
OTHER FINANCING USES			
Operating transfers out	(20,000)	-	20,000
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	-0-	69,968	69,968
Fund balance, beginning of year	56,235	56,235	-0-
Fund balance, end of year	\$ 56,235	\$ 126,203	\$ 69,968

<u>Criminal Justice Training</u>			
REVENUES			
Intergovernmental - State	\$ 3,600	\$ 4,290	\$ 690
EXPENDITURES			
Public safety	3,600	4,105	(505)
EXCESS OF REVENUES OVER EXPENDITURES	-0-	185	185
OTHER FINANCING USES			
Operating transfers out	-	(11,230)	(11,230)
EXCESS OF REVENUES (UNDER) EXPENDITURES AND OTHER FINANCING USES	-0-	(11,045)	(11,045)
Fund balance, beginning of year	11,693	11,693	-0-
Fund balance, end of year	\$ 11,693	\$ 648	\$ (11,045)



Lake County, Michigan

Special Revenue Funds

STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES BY FUND - BUDGET TO ACTUAL - CONTINUED

For the Year Ended December 31, 2003

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Register of Deeds Automation Fund</u>			
REVENUES			
Charges for services	\$ -	\$ 27,204	\$ 27,204
EXPENDITURES			
General government	-	9,817	(9,817)
EXCESS OF REVENUES OVER EXPENDITURES	-0-	17,387	17,387
Fund balance, beginning of year	-	-	-0-
Fund balance, end of year	<u>\$ -0-</u>	<u>\$ 17,387</u>	<u>\$ 17,387</u>

<u>Community Correction</u>			
REVENUES	\$ -	\$ -	\$ -0-
EXPENDITURES	-	-	-0-
EXCESS OF REVENUES OVER EXPENDITURES	-0-	-0-	-0-
Fund balance, beginning of year	-	-	-0-
Fund balance, end of year	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Lake County, Michigan

Special Revenue Funds

STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES BY FUND - BUDGET TO ACTUAL - CONTINUED

For the Year Ended December 31, 2003

	Amended Budget	Actual	Variance Favorable (Unfavorable)
<u>Child Care Probate</u>			
REVENUES			
Intergovernmental - Federal/State	\$ 132,687	\$ 239,302	\$ 106,615
Charges for services	22,000	45,611	23,611
TOTAL REVENUES	154,687	284,913	130,226
EXPENDITURES			
Health and welfare	557,658	523,216	34,442
EXCESS OF REVENUES (UNDER) EXPENDITURES	(402,971)	(238,303)	164,668
OTHER FINANCING SOURCES			
Operating transfers in	188,220	326,535	138,315
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	(214,751)	88,232	302,983
Fund (deficit), beginning of year	(254,526)	(254,526)	-0-
Prior period adjustment	-	(21,037)	(21,037)
Fund (deficit), end of year	\$ (469,277)	\$ (187,331)	\$ 281,946
<u>Veteran's Trust</u>			
REVENUES			
Intergovernmental - State	\$ 1,800	\$ -	\$ (1,800)
EXPENDITURES			
Health and welfare	1,800	-	1,800
EXCESS OF REVENUES OVER EXPENDITURES	-0-	-0-	-0-
Fund balance, beginning of year	1,094	1,094	-0-
Fund balance, end of year	\$ 1,094	\$ 1,094	\$ -0-

Lake County, Michigan

Special Revenue Funds

STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES BY FUND - BUDGET TO ACTUAL - CONTINUED

For the Year Ended December 31, 2003

	Amended Budget	Actual	Variance Favorable (Unfavorable)
<u>Marriage Council</u>			
REVENUES			
Charges for services	\$ 500	\$ 1,200	\$ 700
EXPENDITURES			
Health and welfare	500	-	500
EXCESS OF REVENUES OVER EXPENDITURES	-0-	1,200	1,200
Fund balance, beginning of year	18,500	18,500	-0-
Fund balance, end of year	<u>\$ 18,500</u>	<u>\$ 19,700</u>	<u>\$ 1,200</u>
<u>Ambulance</u>			
REVENUES			
Taxes	\$ 467,000	\$ 461,418	\$ (5,582)
Interest	400	265	(135)
Other	600	4,590	3,990
TOTAL REVENUES	468,000	466,273	(1,727)
EXPENDITURES			
Health and welfare	265,000	272,744	(7,744)
EXCESS OF REVENUES OVER EXPENDITURES	203,000	193,529	(9,471)
OTHER FINANCING USES			
Operating transfers out	(203,000)	(204,124)	(1,124)
EXCESS OF REVENUES (UNDER) EXPENDITURES AND OTHER FINANCING USES	-0-	(10,595)	(10,595)
Fund balance, beginning of year	264,533	264,533	-0-
Fund balance, end of year	<u>\$ 264,533</u>	<u>\$ 253,938</u>	<u>\$ (10,595)</u>

Lake County, Michigan

Special Revenue Funds

STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES BY FUND - BUDGET TO ACTUAL - CONTINUED

For the Year Ended December 31, 2003

	Amended Budget	Actual	Variance Favorable (Unfavorable)
<u>Inmate Social Security</u>			
REVENUES			
Interest	\$ 1,200	\$ 14	\$ (1,186)
Other	-	2,000	2,000
TOTAL REVENUES	1,200	2,014	814
EXPENDITURES	-	-	-0-
EXCESS OF REVENUES OVER EXPENDITURES	1,200	2,014	814
OTHER FINANCING USES			
Operating transfers out	(1,200)	(1,200)	-0-
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	-0-	814	814
Fund balance, beginning of year	3,042	3,042	-0-
Fund balance, end of year	<u>\$ 3,042</u>	<u>\$ 3,856</u>	<u>\$ 814</u>
<u>F.I.A. Building</u>			
REVENUES			
Rent	\$ 227,900	\$ 229,984	\$ 2,084
EXPENDITURES			
Health and welfare	42,200	21,855	20,345
EXCESS OF REVENUES OVER EXPENDITURES	185,700	208,129	22,429
OTHER FINANCING USES			
Operating transfers out	(202,900)	(192,250)	10,650
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(17,200)	15,879	33,079
Fund balance, beginning of year	119,148	119,148	-0-
Fund balance, end of year	<u>\$ 101,948</u>	<u>\$ 135,027</u>	<u>\$ 33,079</u>

Lake County, Michigan

Special Revenue Funds

STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES BY FUND - BUDGET TO ACTUAL - CONTINUED

For the Year Ended December 31, 2003

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Housing Escrow</u>			
REVENUES	\$ -	\$ -	\$ -
EXPENDITURES	<u>-</u>	<u>-</u>	<u>-0-</u>
EXCESS OF REVENUES OVER EXPENDITURES	-0-	-0-	-0-
Fund balance, beginning of year	<u>1,131</u>	<u>1,131</u>	<u>-0-</u>
Fund balance, end of year	<u><u>\$ 1,131</u></u>	<u><u>\$ 1,131</u></u>	<u><u>\$ -0-</u></u>
<u>Social Services EZ/EC Pass Through Grant</u>			
REVENUES			
Intergovernmental - Federal/State	\$ -	\$ 36,650	\$ 36,650
EXPENDITURES			
Health and welfare	<u>-</u>	<u>36,650</u>	<u>(36,650)</u>
EXCESS OF REVENUES OVER EXPENDITURES	-0-	-0-	-0-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-0-</u>
Fund balance, end of year	<u><u>\$ -0-</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ -0-</u></u>

Lake County, Michigan

Capital Projects Funds

COMBINING BALANCE SHEET

December 31, 2003

	Ambulance Equipment Replacement	Other County Property	Building Authority Courthouse/ Jail Renovation	Total
ASSETS				
Cash	\$ 441,812	\$ 96,448	\$ 14,369	\$ 552,629
Due from others	-	62,184	-	62,184
TOTAL ASSETS	<u>\$ 441,812</u>	<u>\$ 158,632</u>	<u>\$ 14,369</u>	<u>\$ 614,813</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accrued liabilities	\$ -	\$ 2,500	\$ -	\$ 2,500
Advance from other funds	-	62,449	-	62,449
Deferred revenue	-	62,184	-	62,184
TOTAL LIABILITIES	-0-	127,133	-0-	127,133
FUND BALANCES				
Unreserved				
Designated for capital expenditures	<u>441,812</u>	<u>31,499</u>	<u>14,369</u>	<u>487,680</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 441,812</u>	<u>\$ 158,632</u>	<u>\$ 14,369</u>	<u>\$ 614,813</u>

Lake County, Michigan

Capital Projects Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES

Year Ended December 31, 2003

	Ambulance Equipment Replacement	Other County Property	Building Authority Courthouse/ Jail Expansion	Total
REVENUES				
Rent	\$ -	\$ 28,694	\$ -	\$ 28,694
Interest	-	-	133	133
TOTAL REVENUES	-0-	28,694	133	28,827
EXPENDITURES				
Other	-	-	4,103	4,103
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-0-	28,694	(3,970)	24,724
OTHER FINANCING SOURCES				
Operating transfers in	50,000	-	-	50,000
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	50,000	28,694	(3,970)	74,724
Fund balances, beginning of year	391,812	2,805	7,841	402,458
Prior period adjustment	-	-	10,498	10,498
Fund balances, end of year	<u>\$ 441,812</u>	<u>\$ 31,499</u>	<u>\$ 14,369</u>	<u>\$ 487,680</u>

## Lake County, Michigan

## Enterprise Funds

## COMBINING BALANCE SHEET

December 31, 2003

	Delinquent Tax			
	Treasurer's Unrestricted	1998	1999	2000
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,032,206	\$ -	\$ 68,178	\$ 220,811
Accounts receivable	-	-	-	236
Delinquent taxes receivable	17,856	-	-	-
Due from other governmental units				
Local	109,025	-	-	-
Total current assets	1,159,087	-0-	68,178	221,047
Other assets				
Investments	572,331	-	-	-
Advances to other funds	62,449	-	-	-
Total other assets	634,780	-0-	-0-	-0-
TOTAL ASSETS	<u>\$ 1,793,867</u>	<u>\$ -0-</u>	<u>\$ 68,178</u>	<u>\$ 221,047</u>
LIABILITIES AND RETAINED EARNINGS				
Current liabilities				
Accounts payable	\$ 8,043	\$ -	\$ -	\$ -
Accrued liabilities	7,089	-	-	-
Due to others	2,364	-	-	-
Due to other funds	-	-	-	1,250
TOTAL LIABILITIES	17,496	-0-	-0-	1,250
RETAINED EARNINGS				
Retained earnings				
Unreserved - undesignated	1,776,371	-	68,178	219,797
TOTAL RETAINED EARNINGS	1,776,371	-0-	68,178	219,797
TOTAL LIABILITIES AND RETAINED EARNINGS	<u>\$ 1,793,867</u>	<u>\$ -0-</u>	<u>\$ 68,178</u>	<u>\$ 221,047</u>



<u>Revolving</u>				
<u>2001</u>	<u>2002</u>	<u>Commissary</u>	<u>Treasurer's Administrative</u>	<u>Total</u>
\$ 576,923	\$ 858,353	\$ 20,280	\$ 3,774	\$ 2,780,525
-	-	800	-	1,036
90,892	680,909	-	-	789,657
705	1,657	-	-	111,387
668,520	1,540,919	21,080	3,774	3,682,605
-	-	-	-	572,331
-	-	-	-	62,449
-0-	-0-	-0-	-0-	634,780
<u>\$ 668,520</u>	<u>\$ 1,540,919</u>	<u>\$ 21,080</u>	<u>\$ 3,774</u>	<u>\$ 4,317,385</u>
\$ 2,894	\$ -	\$ 7,702	\$ -	\$ 18,639
-	-	-	-	7,089
8,395	411	-	-	11,170
-	-	-	761	2,011
11,289	411	7,702	761	38,909
657,231	1,540,508	13,378	3,013	4,278,476
657,231	1,540,508	13,378	3,013	4,278,476
<u>\$ 668,520</u>	<u>\$ 1,540,919</u>	<u>\$ 21,080</u>	<u>\$ 3,774</u>	<u>\$ 4,317,385</u>

Lake County, Michigan

Enterprise Funds

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN RETAINED EARNINGS

For the Year Ended December 31, 2003

	Delinquent Tax		
	Treasurer's Unrestricted	1998	1999
OPERATING REVENUES			
Charges for services	\$ 69,594	\$ -	\$ 656
Interest and penalties on taxes	54,499	-	-
Miscellaneous	10,000	-	-
TOTAL OPERATING REVENUES	134,093	-0-	656
OPERATING EXPENSES			
Other	-	-	8,091
OPERATING INCOME (LOSS)	134,093	-0-	(7,435)
NONOPERATING REVENUES			
Interest revenue	40,091	-	230
INCOME (LOSS) BEFORE TRANSFERS	174,184	-0-	(7,205)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	14,780	3,605	-
Operating transfers out	(285,281)	(186,629)	(220,585)
TOTAL OTHER FINANCING SOURCES (USES)	(270,501)	(183,024)	(220,585)
NET INCOME (LOSS)	(96,317)	(183,024)	(227,790)
Retained earnings, beginning of year	1,872,688	183,024	295,968
Retained earnings, end of year	\$ 1,776,371	\$ -0-	\$ 68,178

Revolving					
2000	2001	2002	Commissary	Treasurer's Administrative	Total
\$ 246,409	\$ 34,218	\$ 15,843	\$ 97,344	\$ -	\$ 464,064
-	108,887	130,468	-	-	293,854
100	-	-	-	994	11,094
246,509	143,105	146,311	97,344	994	769,012
-	35,691	-	84,244	116	128,142
246,509	107,414	146,311	13,100	878	640,870
289	1,931	1,108	-	16	43,665
246,798	109,345	147,419	13,100	894	684,535
-	-	1,393,089	-	-	1,411,474
(561,065)	(439,590)	-	-	(761)	(1,693,911)
(561,065)	(439,590)	1,393,089	-0-	(761)	(282,437)
(314,267)	(330,245)	1,540,508	13,100	133	402,098
534,064	987,476	-	278	2,880	3,876,378
\$ 219,797	\$ 657,231	\$ 1,540,508	\$ 13,378	\$ 3,013	\$ 4,278,476

Lake County, Michigan

Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2003

	Delinquent Tax		
	Treasurer's Unrestricted	1998	1999
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ 134,093	\$ -	\$ (7,435)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
(Increase) decrease in accounts receivable	-	-	-
(Increase) decrease in delinquent taxes receivables	(2,217)	39,316	14,875
Decrease due from others	-	6	2,726
(Increase) decrease in other governmental units	900	-	-
Decrease in due from other funds	100	-	-
Increase in accounts payable	8,043	-	-
Increase in accrued liabilities	7,089	-	-
Increase (decrease) in due to other funds	(10,000)	(10,305)	(3,629)
Increase (decrease) in due to others	(2,954)	-	-
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>135,054</b>	<b>29,017</b>	<b>6,537</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers in from other funds	14,780	3,605	-
Transfers out to other funds	(285,281)	(186,629)	(220,585)
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>(270,501)</b>	<b>(183,024)</b>	<b>(220,585)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Maturity of investments	802,343	-	-
Purchase of investments	(572,331)	-	-
Repayment on advance	52,974	-	-
Interest revenue	40,091	-	230
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>323,077</b>	<b>-0-</b>	<b>230</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING YEAR</b>	<b>187,630</b>	<b>(154,007)</b>	<b>(213,818)</b>
Cash and cash equivalents, beginning of year	844,576	154,007	281,996
Cash and cash equivalents, end of year	<u>\$1,032,206</u>	<u>\$ -0-</u>	<u>\$ 68,178</u>

Revolving			Commissary	Treasurer's Administrative	Total
2000	2001	2002			
\$ 246,509	\$ 107,414	\$ 146,311	\$ 13,100	\$ 878	\$ 640,870
(236)	-	-	3,000	-	2,764
112,646	645,025	(680,909)	-	-	128,736
493	-	-	-	-	3,225
-	3,852	(1,657)	-	-	3,095
100	-	-	-	-	200
-	2,894	-	535	-	11,472
1,250	-	-	-	-	8,339
(353)	8,295	-	-	761	(15,231)
-	-	411	-	-	(2,543)
360,409	767,480	(535,844)	16,635	1,639	780,927
-	-	1,393,089	-	-	1,411,474
(561,065)	(439,590)	-	-	(761)	(1,693,911)
(561,065)	(439,590)	1,393,089	-0-	(761)	(282,437)
-	-	-	-	-	802,343
-	-	-	-	-	(572,331)
-	-	-	-	-	52,974
289	1,931	1,108	-	16	43,665
289	1,931	1,108	-0-	16	326,651
(200,367)	329,821	858,353	16,635	894	825,141
421,178	247,102	-	3,645	2,880	1,955,384
<u>\$ 220,811</u>	<u>\$ 576,923</u>	<u>\$ 858,353</u>	<u>\$ 20,280</u>	<u>\$ 3,774</u>	<u>\$ 2,780,525</u>

Lake County, Michigan

Internal Service Funds

COMBINING BALANCE SHEET

December 31, 2003

	Central Stores	Fringe Benefits	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ (4,911)	\$ 95,602	\$ 90,691
Inventory	17,271	-	17,271
Due from other funds	341	690	1,031
TOTAL ASSETS	<u>\$ 12,701</u>	<u>\$ 96,292</u>	<u>\$ 108,993</u>
LIABILITIES AND RETAINED EARNINGS			
Current liabilities			
Accounts payable	\$ 117	\$ 23,309	\$ 23,426
Due to others	-	6	6
TOTAL LIABILITIES	117	23,315	23,432
RETAINED EARNINGS			
Retained earnings			
Reserved for potential losses	-	72,977	72,977
Unreserved - undesignated	12,584	-	12,584
TOTAL RETAINED EARNINGS	<u>12,584</u>	<u>72,977</u>	<u>85,561</u>
TOTAL LIABILITIES AND RETAINED EARNINGS	<u>\$ 12,701</u>	<u>\$ 96,292</u>	<u>\$ 108,993</u>

Lake County, Michigan

Internal Service Funds

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN RETAINED EARNINGS

For the Year Ended December 31, 2003

	Central Stores	Fringe Benefits	Total
OPERATING REVENUES			
Charges for services	\$ 19,266	\$ 1,447,728	\$ 1,466,994
OPERATING EXPENSES			
Personal services and fringes	-	1,443,835	1,443,835
Other	18,850	-	18,850
TOTAL OPERATING EXPENSES	18,850	1,443,835	1,462,685
OPERATING INCOME	416	3,893	4,309
Retained earnings, beginning of year	12,168	69,084	81,252
Retained earnings, end of year	\$ 12,584	\$ 72,977	\$ 85,561

Lake County, Michigan

Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2003

	Central Stores	Fringe Benefits	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income	\$ 416	\$ 3,893	\$ 4,309
Adjustments to reconcile operating income to net cash provided by operating activities			
(Increase) due from other funds	-	(690)	(690)
Decrease in inventory	6,553	3,627	10,180
Increase in accounts payable	117	-	117
NET INCREASE IN CASH AND CASH EQUIVALENTS DURING YEAR	7,086	6,830	13,916
Cash and cash equivalents, beginning of year	(11,997)	88,772	76,775
Cash and cash equivalents, end of year	<u>\$ (4,911)</u>	<u>\$ 95,602</u>	<u>\$ 90,691</u>



Lake County, Michigan

Trust and Agency Funds

COMBINING BALANCE SHEET

December 31, 2003

	Agency Funds		
	Trust and Agency	Library Penal	Total
ASSETS			
Cash and cash equivalents	\$ 718,937	\$ 41,042	\$ 759,979
Due from governmental units - State	71,752	-	71,752
TOTAL ASSETS	<u>\$ 790,689</u>	<u>\$ 41,042</u>	<u>\$ 831,731</u>
LIABILITIES			
Undistributed collections payable	\$ 352,062	\$ -	\$ 352,062
Deposits payable	36,893	-	36,893
Due to other governmental units			
Federal/State	220,224	-	220,224
Local	100	-	100
Due to other funds	14,755	2,000	16,755
Due to others	166,655	39,042	205,697
TOTAL LIABILITIES	<u>\$ 790,689</u>	<u>\$ 41,042</u>	<u>\$ 831,731</u>

Lake County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - DRAINAGE DISTRICT

December 31, 2003

	Capital Projects		
	Big Star Lake Level Revolving	Wolf Lake Level Revolving	Total
ASSETS			
Cash and cash equivalents	\$ (2,756)	\$ 2,846	\$ 90
Special assessments receivable	2,803	-	2,803
TOTAL ASSETS	<u>\$ 47</u>	<u>\$ 2,846</u>	<u>\$ 2,893</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES	\$ -	\$ -	\$ -0-
FUND BALANCES			
Fund balances			
Unreserved - undesignated	47	2,846	2,893
TOTAL LIABILITIES AND AND FUND BALANCES	<u>\$ 47</u>	<u>\$ 2,846</u>	<u>\$ 2,893</u>

Lake County, Michigan

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - DRAINAGE DISTRICT

For the Year Ended December 31, 2003

	Capital Projects		
	Big Star Lake Level Revolving	Wolf Lake Level Revolving	Total
REVENUES			
Special assessment	\$ 3,497	\$ -	\$ 3,497
Interest	10	10	20
Total Revenues	3,507	10	3,517
EXPENDITURES			
Other	4,468	72	4,540
EXCESS OF REVENUES (UNDER) EXPENDITURES	(961)	(62)	(1,023)
Fund balances, beginning of year	1,008	2,908	3,916
Fund balances, end of year	\$ 47	\$ 2,846	\$ 2,893

Principals

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Michael T. Gaffney, CPA  
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Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA

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REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners  
of Lake County  
Baldwin, Michigan

We have audited the general purpose financial statements of the Lake County as of and for the year ended December 31, 2003, and have issued our report thereon dated April 15, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

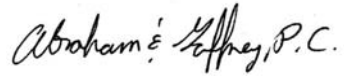
As part of obtaining reasonable assurance about whether Lake County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lake County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one of more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

We noted other matters involving the internal control over financial reporting that we have reported to the management of Lake County in a separate letter dated April 15, 2004.

This report is intended solely for the information and use of management and Board of Commissioners of Lake County, Michigan, the pass-through grantors, and the U.S. Departments of Health and Human Services, Justice, and Agriculture, and the Federal Emergency Management Agency and is not intended to be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Abraham & Gaffney, P.C." in a cursive, flowing script.

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

April 15, 2004

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MANAGEMENT LETTER

To the Board of Commissioners  
of Lake County  
Baldwin, Michigan

Dear Ladies/Gentlemen:

As you know, we have recently completed our audit of the records of Lake County, Michigan for the year ended December 31, 2003. In connection with the audit, we feel that certain changes in your accounting procedures would be helpful in improving management's control and the operational efficiency of the accounting functions. These suggestions are a result of our evaluation of the internal control structure and our discussions with management.

1. The County should review the status of individual fund balances (deficits) near year-end.

As noted in the general purpose financial statements, the County has four (4) funds which ended the year in a deficit financial position. As a result, the County will be required to submit a deficit reduction plan to the State of Michigan for each fund. This issue had been noted and reported in our audit comments last year.

We suggest the County review the status of individual funds near year-end and make appropriate adjustments when possible to eliminate deficits.

2. Budgets should be adopted for all funds and monitored and amended when necessary.

As noted in the annual financial statements, some of the budgeted activities of the County exceeded the amounts appropriated and a budget had not been adopted for all funds. The variances noted were in the General and Special Revenue Funds.

The Michigan Public Act 621 of 1978, as amended, provides that the County adopt formal budgets for all applicable General and Special Revenue Funds and shall not incur expenditures in excess of the amounts appropriated.

We suggest the County adopt budgets for all applicable funds and monitor expenditures against the adopted budget on a periodic basis, preferable monthly. Appropriate budget amendments should be made as needed.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the combined financial statements, and this report does not affect our report on the general purpose financial statements, dated April 15, 2004.

This report is intended solely for the use of management and the Board of Commissioners of Lake County, pass-through grantors, and the U.S. Departments of Agriculture, Justice, Health and Human Services, and Housing and Urban Development, Homeland Security, and the Federal Emergency Management Agency, and is not intended to be used by anyone other than these specified parties.

108 N. Spring St. ▪ St. Johns, MI 48879-1574 ▪ (989) 224-6836 ▪ FAX: (989) 224-6837  
745 Barclay Circle, Suite 335, PO Box 70067 ▪ Rochester Hills, MI 48307 ▪ (248) 844-2550 ▪ FAX: (248) 844-2551

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you, and to provide assistance in the implementation of improvements.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

April 15, 2004

**Lake County, Michigan**

**SUPPLEMENTARY INFORMATION TO  
COMBINED FINANCIAL STATEMENTS  
(FEDERAL AWARDS)**

**December 31, 2003**



Lake County, Michigan

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REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Commissioners  
of Lake County  
Baldwin, Michigan

We have audited the compliance of Lake County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that is applicable to the major Federal programs for the year ended December 31, 2003. Lake County's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to the major Federal programs are the responsibility of Lake County's management. Our responsibility is to express an opinion on Lake County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on major Federal programs occurred. An audit includes examining, on a test basis, evidence about Lake County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Lake County's compliance with those requirements.

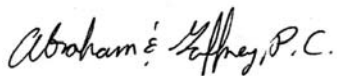
In our opinion, Lake County complied, in all material respects, with the requirements referred to above that are applicable to the major Federal programs for the year ending December 31, 2003. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings under the appropriate heading.

The management of Lake County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered Lake County's internal control over compliance with requirements that could have a direct and material effect on the major Federal programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one (1) or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to the major Federal programs being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

We have audited the combined financial statements of Lake County as of and for the year ended December 31, 2003, and have issued our report thereon dated April 15, 2004. Our audit was performed for the purpose of forming an opinion on the combined statements taken as a whole. The accompanying schedule of expenditures of Federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the combined financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the combined financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Commissioners and management of Lake County, the pass-through grantors, and the U.S. Departments of Health and Human Services, Justice and Agriculture, and the Federal Emergency Management Agency and is not intended to be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Abraham & Gaffney, P.C.".

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

April 15, 2004

Lake County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2003

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Restated Program Award Amount</u>	<u>Restated (Memo Only) Prior Year Expenditures</u>	<u>Current Year</u>	
					<u>Revenues</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF JUSTICE The Drug Control and System Improvement Grant Program Passed through State Department of Community Health and the State Office of Drug Control Policy 02/03 L.L.E.B.G.	16.592	2002-LB-BX-1317	\$ 25,496	\$ -	\$ 25,496	\$ 25,496
Passed through Michigan Family Independence Agency Juvenile Justice 02/03 Regular 03/04 Regular	16.523	JABGN-02-43001 JABGN-03-43001	24,061 <u>50,118</u>	20,006 <u>-</u>	3,791 <u>45,585</u>	3,791 <u>45,585</u>
			74,179	20,006	49,376	49,376
Passed through Michigan State Police State Domestic Preparedness 2002 Equipment Grant State Assessment Strategy Grant	16.007	N/A N/A	34,482 <u>5,000</u>	- <u>-</u>	34,482 <u>5,000</u>	34,482 <u>5,000</u>
			39,482	-0-	39,482	39,482
FEDERAL EMERGENCY MANAGEMENT AGENCY Passed through Michigan Department of State Police Emergency Management Performance Grant Hazardous Materials Emergency Preparedness	83.552	N/A	11,495	-	11,495	11,495

Lake County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

For the Year Ended December 31, 2003

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Restated Program Award Amount</u>	<u>Restated (Memo Only) Prior Year Expenditures</u>	<u>Current Year</u>	
					<u>Revenues</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES Passed through Michigan Family Independence Agency Child Support Enforcement (a) (c) (Title IV-D)	93.563					
Cooperative Reimbursement - Friend of the Court/Prosecuting Attorney Combined Grant						
02/03		CS/COMB-03-43003-1	\$ 230,395	\$ 23,265	\$ 72,848	\$ 72,848
03/04		CS/COMB-04-43003-2	148,189	-	23,658	23,658
Incentive Payments (b) 2003 Regular		N/A	12,319	-	12,319	12,319
			390,903	23,265	108,825	108,825
Social Services EZ/EC (c) (d) 94-04	93.667	EZEC-95-43001	2,947,368	1,692,910	36,650	36,650
U.S. DEPARTMENT OF AGRICULTURE Forestry Services - Rivers and Campgrounds Project (Direct Programs)						
2003	10.664	01-LE-11090401-005	6,875	-	6,875	6,875
Passed through Michigan Department of Natural Resources Schools and Roads - Grants to States (c)	10.665					
2003		N/A	73,581	-	73,581	73,581
			80,456	-0-	80,456	80,456
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ 3,569,379	\$ 1,736,181	\$ 351,780	\$ 351,780

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2003

**NOTE A: BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of Lake County, Michigan and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the combined financial statements, which are reconciled in Note C.

**NOTE B: SUMMARY OF SIGNIFICANT EXPLANATIONS OF SCHEDULE**

The following descriptions identified below as (a)-(d) represent explanations that cross reference to amounts on the Schedule of Expenditures of Federal Awards:

- (a) Reimbursement of these contracts is passed through the State Family Independence Agency. The amounts reported on the Schedule of Expenditures of Federal Awards represent the Federal portion of the respective amounts based on 66% of total contract expenditures.
- (b) The reimbursements for the IV-D Incentive Payments Program are based on support payments collected. Expenditures have been reported to the extent of earned revenues.
- (c) Denotes programs tested as "major programs".
- (d) This program is reported as of the subrecipient's fiscal year-end of September 30, 2003.

**NOTE C: RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The following reconciles the Federal revenues reported in the December 31, 2003, Combined Financial Statements to the expenditures of the County administered Federal programs reported on the Schedule of Expenditures of Federal Awards:

	<u>Federal/ State Revenue</u>	<u>Less State Revenue</u>	<u>Adjustments</u>	<u>Federal Expenditures</u>
PRIMARY GOVERNMENT				
GENERAL FUND				
Federal Forest	\$ 6,875	\$ -	\$ -	\$ 6,875
Emergency Management	16,495	-	-	16,495
State Domestic Preparedness	34,482	-	-	34,482
Other Programs	<u>700,214</u>	<u>700,214</u>	<u>-</u>	<u>-0-</u>
TOTAL GENERAL FUND	758,066	700,214	-0-	57,852
SPECIAL REVENUE FUNDS				
Sheriff Road Patrol	12,786	-	-	12,786
Friend of the Court	166,266	57,441	-	108,825
Social Services EZ/EC				
Pass Through Grant	36,650	-	-	36,650
Child Care Probate	239,302	177,216	-	62,086
Other Programs	<u>1,943,228</u>	<u>1,943,228</u>	<u>-</u>	<u>-0-</u>
TOTAL SPECIAL REVENUE FUNDS	2,398,232	2,177,885	-0-	220,347
TRUST AND AGENCY FUND				
Trust and Agency	<u>-</u>	<u>-</u>	<u>73,581</u> <sup>(1)</sup>	<u>73,581</u>
	<u>\$ 3,156,298</u>	<u>\$ 2,878,099</u>	<u>\$ 73,581</u>	<u>\$ 351,780</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

December 31, 2003

**NOTE C: RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED**

Following is a summary of the adjustments in the above schedule:

- (1) The adjustment related to amounts reported as an increase when received and a decrease when disbursed within the trust and agency fund's activity because the County acts in a trustee capacity of these funds and distributes them to the local units of government and therefore does not recognize the funds as revenues of expenditures, but recognize the amounts as expenditures in the Schedule of Expenditures of Federal Awards as of December 31, 2003 in accordance with OMB Circular A-133.

**NOTE D: SUBRECIPIENTS**

Of the Federal expenditures presented in the Schedule of Expenditures of Federal Awards as of December 31, 2003, the County provided Federal awards to subrecipients in the amount of \$36,650 from the U.S. Health and Human Services Social Services EZ/EC grant (CFDA 93.667) and \$73,581 from the U.S. Department of Agriculture Schools and Roads - Grants to States (CFDA 10.665).

## Principals

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### REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF COMBINED FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners  
of Lake County  
Baldwin, Michigan

We have audited the combined financial statements of Lake County, Michigan as of and for the year ended December 31, 2003, and have issued our report thereon dated April 15, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. In our report, our opinion was qualified because certain component unit financial information was not recorded in the financial statements.

#### Compliance

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

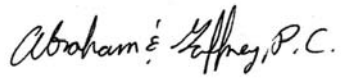
#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

We also noted other matters involving the internal control over financial reporting that we have reported to the management of Lake County, Michigan in a separate letter dated April 15, 2004.



This report is intended solely for the information of management, the Board of Commissioners and management of Lake County, pass-through grantors, the U.S. Departments of Health and Human Services, Justice and Agriculture, and the Federal Emergency Management Agency and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Abraham & Gaffney, P.C.".

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

April 15, 2004

Lake County, Michigan

SCHEDULE OF FINDINGS

For the Year Ended December 31, 2003

SUMMARY OF AUDITOR'S RESULTS

A qualified opinion was issued on the general purpose financial statements, as certain component unit financial information was not recorded in the financial statements. There were no reportable conditions disclosed by the audit of the general purpose financial statements. We noted no instances of noncompliance with laws, regulations, contracts and grants that could have a direct and material affect on the general purpose financial statements.

An unqualified opinion was issued on compliance for major programs. We noted one (1) reportable condition related to internal controls or compliance related to the major programs tested.

The major programs tested to cover 50 percent of the total Federal expenditures were the Child Support Enforcement Program (Title IV-D) (CFDA 93.563); Social Services EZ/EC (CFDA 93.667); and the Schools and Roads - Grants to States (CFDA 10.665). Total Federal expenditures for the year ended December 31, 2003 for the major programs were \$219,056, which is approximately 62 percent of total Federal expenditures.

The County had no Type A programs. Programs of less than \$300,000 were determined to be Type B programs.

FINDINGS/NONCOMPLIANCE

Reportable Conditions Related to Internal Controls Over the Combined Financial Statements.

None

Findings Related to Compliance with Requirements Related to the Combined Financial Statements.

None

Findings Related to Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.

03-1 SUBRECIPIENT MONITORING

Social Services EZ/EC Grant Passed through the Michigan Family Independence Agency - CFDA 93.667; Grant No. ECEZ-95-43001; Grant period - continues through December 2004.

During our review of the process related to subrecipient monitoring for the above noted grant it was determined that the County did not have formal procedures in place to monitor the subrecipient and did not reflect the grant activity within the County's general ledger. It was also noted that no monitoring was performed during the year other than a County representative being on the board of the subrecipient entity who obtained a copy of the subrecipient's audit on an annual basis. This finding did not appear to result in any questioned costs.

We recommend the County implement formal written procedures related to subrecipient monitoring and then periodically perform the established monitoring procedures.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended December 31, 2003

FINDINGS/NONCOMPLIANCE

Reportable Conditions Related to Internal Controls Over the Combined Financial Statements.

No prior audit findings.

Findings Related to Compliance with Requirements Applicable to the Combined Financial Statements.

No prior audit findings.

Findings Related to Compliance with Requirements Applicable to Federal Awards and Internal Control Over Compliance in Accordance with OMB Circular A-133.

As noted in the prior year financial statements, the County did not have a formal procedure in place to monitor subrecipients and that monitoring was not performed during the prior year. The prior finding was as follows:

Social Services EZ/EC Grant Passed through the Michigan Family Independence Agency - CFDA 93.667; Grant No. ECEZ-95-43001; Grant period - continues through December 2004.

During our review of the process related to subrecipient monitoring for the above noted grant it was determined that the County did not have formal procedures in place to monitor the subrecipient during the prior year. It was also noted that no monitoring was performed during the prior year other than a County representative being on the board of the subrecipient entity who obtained a copy of the subrecipient's audit on an annual basis and the County received copies of the check warrants but no detail was provided to support the expenditures. This finding did not appear to result in any questioned costs.

We recommended the County implement formal written procedures related to subrecipient monitoring and then periodically perform the established monitoring procedures.

This prior finding, with some minor modifications, has not been resolved and is repeated at 03-1 for the current year as this program was selected as a major program for the current year.